

Thin Film Electronics ASA

ANNUAL REPORT 2015





Norway – Oslo

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A Message from the CEO

Thinfilm is focused on profoundly changing the way that simple electronic systems are manufactured, leveraging a means of production that is highly scalable, economically attractive, and much needed in the emerging IoT market.

Dear Shareholders,

As one reviews the progress made by Thinfilm from the start of 2015 into the first quarter of 2016, it is clear that the past year has been a period of profound change in the Company. Fueled by innovation and tempered by challenges, it was, ultimately, a year in which Thinfilm experienced a tremendous amount of growth – scaling and professionalizing the organization to effectively advance its transition to a product company.

In March 2015, Thinfilm started high-volume commercial shipments of its first wireless product, an electronic article surveillance (EAS) label and anti-theft device compatible with existing retail infrastructure. Anti-theft tags typically are either expensive and bulky devices that are removed at point-of-purchase, or soft tags that need to be removed by the buyer, as they tend to reactivate after the product is used. Thinfilm's labels avoid this problem, and can be invisibly added to shoes, garments, and other accessories at the point of manufacture. Our go-to-market partner, Nedap, is a world leader in technology solutions for the retail market, and Thinfilm delivered 11.2 million dry-inlay EAS labels into the supply-chain of a Nedap fast-fashion retail customer. We continue to work with Nedap as these tags are included in shoes and, eventually, other garment categories, such as denims and women's apparel. These EAS deliveries are expected to continue in 2016 as Thinfilm completes existing orders and anticipates additional shipments of both converted and dry labels. The potential for growth is substantial, as Nedap's lead customer has annual unit sales of over 2 billion garments, of which a fraction – amounting to hundreds of millions of items – may be qualified for use of Thinfilm's EAS technology.

Also during Q1 2015, the Company announced that Xerox Corp., the global business services, digital printing, and document management company, licensed Thinfilm Memory™ technology and is readying a manufacturing line in upstate New York with a capacity of 1.3 billion units. During the year, we transferred the functional printing technology and delivered roll-to-roll test systems in Q4 that prepares Xerox for high-scale production starting in H1 2016. Thinfilm also worked closely with Xerox commercially, as they announced two own-brand products based on Thinfilm Memory technology and staffed a global sales team to promote the offerings. Target markets include pharma and other regulated packaging, as well as anti-counterfeit labels, which in some instances are used as a replacement for non-digital tax stamps.

While the commercialization of EAS and the licensing of Thinfilm Memory are important milestones that played a key role in Thinfilm's transition from a development company to a product company, perhaps the single-most significant event for Thinfilm in 2015 was the

introduction of a new, flagship product called NFC OpenSense™. The two aforementioned products strongly indicate that production scaling to the 10s and 100s of millions of units is imminent for the printed integrated circuits that Thinfilm is developing. However, it is the creation of a smartphone-compatible “smart platform” that effectively aligns Thinfilm to the emerging Internet of Things (IoT) technology wave, and extends the IoT to applications where – because of cost, flexibility, and scalability constraints – ordinary silicon-chip-based electronics is not likely to be applied.

By adding intelligence to disposable items, we are leveraging our product portfolio to pursue Thinfilm’s vision, which is to make everyday products smart. Experts say that only 1% of the items in the world that can

be connected are connected. This lack of connectivity is primarily due to the cost and non-scalability of silicon. We believe, however, that it is possible to add affordable, smartphone-readable intelligence to consumables and disposables – things like wine, cosmetics, medicine, specialty foods, healthcare products, medical devices, tobacco items, and countless other consumer packaged goods – using our printed electronics technology. We also believe that, in doing so, we can help extend the traditional boundaries of the Internet of Things (IoT) and capitalize on a tremendous number of opportunities that exist within this emerging industry. Thinfilm is creating a paradigm shift relative to traditional silicon-based electronics, and the world is beginning to take notice.

Thinfilm’s OpenSense tags use Near Field Communication (NFC) to communicate, one of the four standard protocols now being standardly shipped in the majority of smartphones worldwide. NFC is the technology behind tap-and-pay systems such as Apple Pay, Samsung Pay, and others, and is the optimal low-power / high-security form of communication between properly enabled phones and smart objects. OpenSense takes this communication a step further than ordinary RF devices by not only communicating a unique ID to the phone, but also an indication of the object’s state, specifying whether the product is factory-sealed and remains intact or whether it has been opened and the seal has been compromised.

While effectively helping to provide an indication of a product’s integrity to consumers at time-of-purchase, this unique technology also makes possible

differentiated communication with the buyer during the entire consumer journey. Dual unique IDs encoded in each OpenSense tag enable brands to deliver contextual messaging based on whether an individual is in-store making a purchasing decision or at home consuming a product. With each tap, the consumer can learn more about the proper use of the product, receive information for efficient online reordering, share experiences through integrated social media, and earn rewards via loyalty programs, among other applications. OpenSense effectively extends the dialogue a brand can have with its customers and opens new doors with regard to targeted, value-based marketing.

Launched in late February just prior to Mobile World Congress – while also

unveiling the prototype Johnnie Walker® Blue Label “smart bottle” with Diageo, the world’s largest spirits company – OpenSense was widely viewed as a disruptive technology and one that had the potential to quickly attain ubiquity within the drinks industry. The introduction generated 110 unique media articles globally and substantial exposure through social channels

As a result of significant market interest Thinfilm received since the launch, the Company has received several pilot orders for the NFC labels and has delivered prototypes to more than a dozen Forbes 2000 brands across a range of verticals, including medical devices, OTC pharma, specialty foods, wines, spirits, tobacco, and other FMCG (fast moving consumer goods) categories. Beyond Diageo, OpenSense customers of note include Ypsomed, a Swiss developer and manufacturer of auto-injector pens for patients who self-medicate; the Ferngrove Wine Group, a Chinese-owned, Australia-based winery that exports more than 600,000 bottles of red wine to China each year; and Barbadillo, a leading Spanish wine maker with multiple brands and a strong presence in more than 50 countries across the globe. Ypsomed’s CEO, Simon Michel, said, “We believe Thinfilm’s NFC OpenSense can be of significant value to Ypsomate users across the globe, and we look forward to leveraging this next-generation technology to help improve patient adherence.”

Furthermore, a global FMCG leader – with an annual sales volume of several billion units – placed a 5-figure unit order for NFC SpeedTap™, a single-ID version

“We believe Thinfilm’s NFC OpenSense can be of significant value to Ypsomate users across the globe, and we look forward to leveraging this next-generation technology to help improve patient adherence.”

Simon Michel,
CEO, Ypsomed

of Thinfilm's technology. The Company is working closely with its customers on conversion and product application initiatives, and is in discussions with regard to field trials.

The interest in NFC as a communication protocol is broad-based, as industry leaders – including NXP – and analysts expect the market to grow with substantial double-digit CAGR in the coming years. Apple joined the NFC Forum as a sponsor member in August of 2015, and the interest shown by many companies in non-payment applications of NFC continues to grow.

To support activities with this broad range of global customers, Thinfilm expanded its partner ecosystem substantially during 2015 and the beginning of 2016. The expansion included the establishment of a preferred converter program, with Jones Packaging and Constantia Flexibles added as charter members. Jones is primarily active in pharma and food packaging, while Constantia Flexibles, through its Labels Division, Spear, is a leading supplier of labels to the global drinks industry. We continue to work with software partners, including EVERYTHING and the G World Group, as well as technology platforms such as the IPM anti-counterfeiting solution developed by the World Customs Organization (WCO). Additionally, we are working together with the world's leading digital activation and shopper marketing agency, Leo Burnett/Arc Worldwide. According to Nick Jones, Arc's EVP of Innovation and Growth, "NFC OpenSense is a game changer." We have also demonstrated the potential integration of NFC OpenSense™ technology into Tata Consultancy Services' (TCS) Omnistore point-of-sale retail solutions as part of their "future-of-retail" initiative.

Beyond products, Thinfilm progressed in a number of other areas. The Thinfilm team reorganized significantly, as staff was added in San Jose given NFC-related activities and reduced in Linköping once initiatives related to Thinfilm Memory were taken over by Xerox. Overall, the Company grew from 90 to 106 full-time employees with key staff members added in the areas of engineering, manufacturing, quality management, supply chain, and strategic marketing. In September, Thinfilm received ISO 9001 certification for both the San Jose and Linköping manufacturing facilities and, in October, implementation of an ERP system using NetSuite was commenced. At the publishing of this annual report, implementation has progressed to the point where the monthly financial accounts for the company in 2016 were prepared using the ERP system as a base. Additional software-system improvements in production, test, and quality were matched by vendor audit procedures. As

many of these vendors are Asia-based, the Company established a new office in Hong Kong to oversee supply-chain activities and develop critical partnerships for integration, assembly, and conversion. In parallel, however, a new back-end pilot-line has been set up and is near completion at Thinfilm's NFC Innovation Center in San Jose, California, to enable prototype development and quick turnaround on pilot-order production.

Our Linköping, Sweden-based development teams made significant technical progress and filed patents in a number of areas related to roll-to-roll production of printed displays and batteries, and continuous extrusion of ferrite films. Cross-functionally, substantial progress was made on the engineering design of equipment and processes necessary to create a roll-to-roll manufacturing line for printed-dopant polysilicon (PDPS) die used in our NFC Solutions, Smart Sensor Label, and EAS products.

"NFC OpenSense is a game changer."

Nick Jones,
EVP of Innovation and Growth,
Arc Worldwide

The various product scale-up initiatives, new product launches, and technology transfer have also required a change in focus in other areas, as the Company prioritizes activities that closely align with its vision. While some funded development work remains in organic semiconductor manufacturing, all current and planned products are now being manufactured using PDPS as the logic platform. Furthermore, sheet-based production of displays has been transitioned to roll-based processes for scalability and cost reasons, and a similar decision with regard to Zinc-polymer batteries will need to be made in 2016.

The one area of product-related delay is in temperature sensors. As a result of necessary allocation of resources to OpenSense – which had a target of high-volume front-end production in Q3 2015 – and as a result of current low yield on the more complex mixed-signal die required for sensor platform products, launch of the temperature sensor smart label for the pharma and food markets was delayed until H2 2016. There was also a delay in the qualification of back-end partners for dicing, assembly, and conversion. As we experienced the need for a redesign of the OpenSense tag to conform to bottling requirements of our wine-industry customers, we also had to re-qualify new antenna and labelling formats, which extended the development time of this customer-specific deliverable by three to four months. In combination these delays meant that, while the company changed the mix of revenues substantially towards product sales and product-related income, the overall revenue performance of Thinfilm was flat in 2015, and also required additional funding compared to plans from one year ago.

With regard to funding and attracting new shareholders, the Company took several concrete steps. In February 2015, Thinfilm moved to the main list of the Oslo Stock Exchange – the Oslo Børs – and, in March 2015, also launched an ADR (American Depositary Receipt) in the OTC Marketplace, moves that enhanced accessibility and improved services for its current and prospective investor bases. The US listing allowed the company to obtain blue-sky registration in a majority of states, allowing for marketing of Thinfilm securities directly to US investors and no longer only to QIBs, or qualified institutional buyers. In June 2015, with the assistance of Cowen & Co. as placement agent, Thinfilm received a total of \$22 million in funding from several leading funds, primarily US-based. The funding was intended to complete de-bottlenecking of sheet-based manufacturing. Of the intended \$17M investment expected, approximately \$5M has been spent to date, and a further \$5M is targeted for use in 2016 to reach 40 million OpenSense production equivalents. As these investment are a true staged de-bottlenecking, further investments may be made as demand warrants; however, progress on roll-based production may mean that further sheet-based de-bottlenecking will not be required.

While Thinfilm made significant progress in bringing NFC products to market in 2015, there were delays related to those efforts, which led to the need for further funding in order to assure the continued operations of the Company. As a result, in December 2015, Thinfilm started a process to secure additional capital to complete its product roadmap. In February 2016, Thinfilm was pleased to announce a placement of 120 million shares – valued at 360 million NOK, or \$42 million – from Woodford Investment Management. The Woodford capital will enable us to scale our NFC Solutions and EAS products, and also gives us the funding required to bring temperature sensor smart labels to market in 2016.

Looking ahead through the remainder of 2016 and beyond, Thinfilm is focused on profoundly changing the way that simple electronic systems are manufactured, leveraging a means of production that is highly scalable, economically attractive, and much needed in the emerging IoT market. Printed electronics technology and high-volume roll-to-roll manufacturing will be a revolutionary combination – one that will fundamentally change the way we interact with our environment. If you look at the emergence of silicon integrated circuits in the 1970s, the market experienced a “double-hockey-stick” type of performance; while volumes of production increased with each step along the Moore’s-law curve, the growing complexity of devices launched each year continuously increased the value of the electronics systems produced. We may be at that threshold soon with printed integrated circuits (PICs). When we

acquired Kovio’s assets in early 2014, the devices made at that time contained approximately 750 logic gates or transistors, and were purely digital. Already by year-end 2015, some of the manufactured die produced at Thinfilm’s Zanker Road facility contained more than double that number, and also included analog components for the integration of temperature and other sensors. Moving from digital to mixed-signal while keeping a rough pace similar to Moore’s law bodes well, as we not only see the need for a transition to roll-to-roll manufacturing, but also envision steps towards “die shrink” – or, in simpler terms, packing more circuits into the same space.

There are over a billion NFC-enabled smartphones in the world today, and analysts predict that number will double by the end of 2016. The “mobile first” lifestyle among consumers continues to proliferate. Leaders across a range of industries are looking beyond payments-related functionality and are backing new applications for NFC including product authentication, digital/shopper marketing, and consumer engagement. One of those leaders could be Apple, who now has a seat on the NFC Forum’s board of directors, that organization’s governing body.

Only a very few companies are in a position to successfully manufacture electronic intelligence at scale and deliver it to the hundreds of billions of everyday items that are produced each year. Thinfilm is one of them, and I look forward to what 2016 and beyond brings as we help transform the Internet of Things to the Internet of Everything.



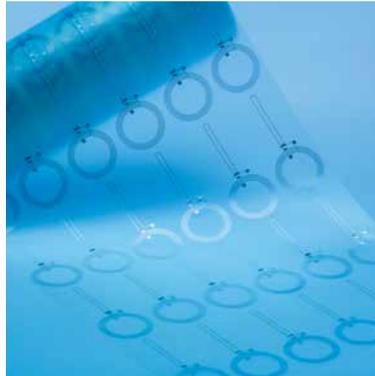
Davor Sutija
CEO



Highlights 2015



Xerox launched two new products that feature Thinfilm Memory™ – Xerox® Printed Memory and Xerox® Printed Memory with Cryptographic Security. The solutions provide anti-counterfeiting capabilities for pharmaceutical products, governmental tax stamps, and refill authentication. Xerox has licensed Thinfilm's proprietary technology and is modifying an existing high-volume production line to manufacture Thinfilm Memory labels in Webster, New York.



Thinfilm launched NFC OpenSense™ at Mobile World Congress 2015. The NFC sensor tag technology addresses applications in a range of global markets, including wine and spirits, pharmaceuticals, and health and beauty care. As part of the launch, Thinfilm and Diageo announced they will work together to incorporate NFC OpenSense technology on bottles of Diageo's Johnnie Walker Blue Label® brand of Scotch whisky.



Thinfilm continued to deliver EAS labels to Nedap, shipping 11.2 million tags of a 13-million-unit order during 2015. EAS labels have been integrated in shoes through a Nedap end-customer's global supply chain.



The World Customs Organization (WCO) and Thinfilm teamed up to battle global counterfeiting. The Company's NFC products were the first NFC-based solutions included in the WCO's IPM (Interface-Public Members) anti-counterfeiting tool.



Barbadillo, a leading Spanish winemaker, unveiled a highly exclusive release of rare sherry in connected "smart bottles" protected by Thinfilm's NFC-based authentication technology. The NFC OpenSense tags incorporated into each bottle are specifically designed to thwart counterfeiters, prevent unauthorized refills, and facilitate product authentication.



Thinfilm announced several new agreements with leading global companies in the spirits, tobacco, and fast moving consumer goods (FMCG) industries. The Company received volume orders from Diageo and from Constantia for NFC OpenSense, and from a leading global FMCG brand for NFC SpeedTap™. Thinfilm also began delivery of NFC OpenSense pilot-orders to key customers.



The G World Group and Thinfilm unveiled the industry's first "smart wine bottle" built using printed electronics technology at GSMA's Mobile World Congress Shanghai event. G World and Thinfilm are now preparing to execute a live field trial in collaboration with Ferngrove Wine Group, a Chinese-owned, Western Australia premium wine company.



Thinfilm and Ypsomed are collaborating to incorporate Thinfilm's NFC OpenSense technology in its existing Ypsomate® autoinjector to create a digitally connected version called Ypsomate Smart®. The device will aim to improve adherence among patients who use self-medication delivery systems.



Global packaging leaders are working with Thinfilm to create "smart packaging" for pharmaceutical and beverage industries. Jones Packaging Inc. is integrating Thinfilm's NFC OpenSense technology into paperboard pharma packaging for prescription and over-the-counter (OTC) medications. Constantia Flexibles is helping to integrate NFC OpenSense technology in packaging for the beverages industries.



Thinfilm and Arc Worldwide (the digital activation arm of Leo Burnett) are collaborating to deliver Thinfilm's NFC OpenSense technology to Arc and Leo Burnett clients across the globe. The partners will focus on a range of digital and IoT-related applications, including mobile/shopper marketing, consumer engagement, customer loyalty, social media integration, and product authentication.



The board of Oslo Børs approved Thin Film Electronics ASA for listing on Oslo Børs, the main list of the Oslo Stock Exchange. A Level-1 ADR was also launched in the US and is available via the OTCQX International Marketplace.



Woodford Investment Management, one of the United Kingdom's leading fund managers, invested USD 42 million in Thinfilm. In addition, several leading funds – many of them US-based – invested USD 22 million in the Company.

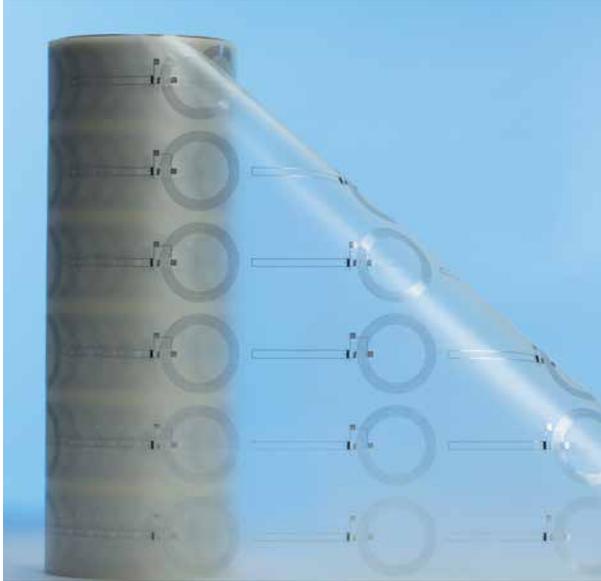


About Thinfilm and Printed Electronics

Thin Film Electronics ASA (“Thinfilm”) is a publicly listed Norwegian company with headquarters in Oslo, Norway, product development and production in Linköping, Sweden, product development, production, and business development in San Jose, California, USA, and additional offices in the United States, Hong Kong, and Singapore.

Thinfilm is a leader in the development and commercialization of printed electronics and smart systems. The first to commercialize printed, rewritable memory, the Company is creating integrated systems that include memory, sensing, display, and wireless communication, all at a cost substantially lower than those featuring traditional electronic technology.

From a roadmap perspective, Thinfilm leverages technology from a strong and growing ecosystem of partners. Our goal is to help enable the Internet of Things and effectively extend its boundaries by bringing intelligence to everyday items. Printing electronics uses far fewer process steps than traditional semiconductor fabrication. This reduces manufacturing costs and lessens the environmental impact of manufacturing. Thinfilm’s printed memory, logic, display, and NFC capabilities are helping to bring low-cost intelligence to the countless disposable products and items that we use every day. In doing so, cost-effective, ubiquitous smart labels will store and communicate valuable product- and consumer-related data – a vital part of the Internet of Everything.



Thinfilm's product families include the following:

NFC Solutions

NFC OpenSense™

Thinfilm's proprietary and patent-pending NFC OpenSense technology provides smartphone-centric NFC readability along with the ability to detect a product's "factory-sealed" and "opened" states. Two unique identifiers within each NFC OpenSense tag support applications for fighting product diversion, counterfeiting, unauthorized refills, and the use of forged containers. On the consumer side, brand marketers can benefit from enhanced consumer engagement capabilities.

NFC SpeedTap™

Thinfilm's NFC SpeedTap tags are a single-ID, lower-cost alternative to NFC OpenSense for situations that do not involve refill fraud. These smartphone-readable wireless tags are ideal for addressing a number of B2B and B2C applications, including product authentication and consumer engagement.

Smart Label Sensors

Thinfilm has developed a smart label platform and a line of intelligent labels featuring memory, displays, logic, sensing capabilities, and wireless communication. The labels can sense distinct phenomena and store data for 80% to 90% less than the cost of conventional

electronics. This is part of Thinfilm's vision to bring the Internet of Everything to even the lowest-cost items.

EAS (Electronic Article Surveillance)

Thinfilm EAS tags use a proprietary process to improve traditional electronic article surveillance technology by introducing a new category of thin, flexible anti-shoplifting tags. These next-generation labels are compatible with the global base of installed 8.2MHz RF EAS infrastructure.

Thinfilm Memory™

Smart Consumables Solution

Thinfilm Memory labels for Smart Consumables is a cost-effective read/write memory solution for interactive consumable refills and other plug-and-play product offerings. The non-volatile, rewritable memory – printed on a thin, flexible label – facilitates an electronic handshake between base units and refills while making consumables interactive and enabling usage tracking.

Brand Protection Solution

Thinfilm Memory labels for Brand Protection is a two-part system that can help manufacturers protect their brands from counterfeiting and grey-market activity. It consists of adhesive labels that generate a distinct forensic electrical signature, along with a Thinfilm authentication unit that reads the label.

Report from the Board of Directors



Morten Opstad
Chairman



Rita Glenne
Board Member



Preeti Mardia
Board Member



Tor Mesøy
Board Member



Rolf Åberg
Board Member



Davor Sutija
CEO

**Thinfilm Demonstrates Progress in
2015 with Product Launch, Licensing
Deal, Pilot-Order Sales, Volume
Production, Key Partnerships, and
Back-End Ramp Up**

External investments fund Company to deliver on product and technology roadmap

Thinfilm made progress on many fronts over the course of 2015. Notable accomplishments included the launch of a new flagship product (NFC OpenSense), a licensing deal with Xerox, several pilot orders from leading brands across a range of industries, product deliveries of EAS (electronic article surveillance) and NFC OpenSense tags, and an expansion of Thinfilm's partner ecosystem to include global brands in wine and spirits, OTC (over the counter) pharma, medical devices, specialty foods, tobacco, flexible packaging and labels, retail solutions, and digital activation/marketing.

The Company also expanded operations by establishing offices in Singapore and Hong Kong, hired and promoted key personnel, and increased its global employee count by 14% year-over-year.

In 2015, Thinfilm was listed on Oslo Børs and launched an ADR (American Depository Receipt) in the OTCQX Marketplace. This enhances Thinfilm's ability to fund operations and serve current / prospective investors.

Given investments in the Company by Woodford Investment Management and US funds, we feel Thinfilm is well positioned financially to execute on its plan for the rest of 2016 and into 2017.

Product Information and Updates

Thinfilm Memory™ and Xerox

Thinfilm's first product, Thinfilm Memory, was introduced to the market commercially in 2014 through a global luxury goods brand. The business model outlined a path from commercial product launch, to the identification of scale-up partners, to the signing of non-exclusive licensing agreements. The Company identified Xerox Corp. as a capable source for high-volume manufacturing and, in January of 2015, Thinfilm announced a scale-up partnership through which Xerox licensed the Company's technology for the mass production of Thinfilm Memory. The technology transfer, which commenced in early 2015, is now largely complete. Test equipment has also been delivered, and Xerox is scheduled to open its modified, New York-based facility in the first half of 2016. This past September, Xerox launched two new products featuring Thinfilm Memory™ – Xerox® Printed Memory and Xerox® Printed Memory with Cryptographic Security. The solutions are geared toward supply-chain security applications and provide anti-counterfeiting capabilities for governmental tax stamps, and refill authentication.

The Xerox relationship is an important one for Thinfilm. In one respect, it is a key partnership with an established global firm that can extend Thinfilm's efforts in sales, business development and other functions. In another respect, it validates the Thinfilm "launch/partner/license" business model as a viable approach that can be replicated with other products and partners. And, given the January 2014 acquisition of Kivio, Inc.'s technology, the Xerox licensing agreement enabled Thinfilm to shift its primary focus from more advanced products, including memory to printed NFC.

EAS (Electronic Article Surveillance)

Thinfilm's EAS tags were the Company's first wireless/ RF (radio frequency) product introduced to the market commercially (2014). The anti-theft tags are easily integrated with merchandise (e.g., shoes, denim and other apparel) and do not reactivate, making them highly compatible with fast-fashion products. Thinfilm's go-to-market partner for EAS – Nedap – makes EAS tags available to its base of global retail clients.

In 2015, Nedap placed a 13-million-unit order for EAS tags, 11.2 million of which were delivered through year-end 2015. EAS labels have been integrated in shoes through the end-customer's global supply chain and are currently on retail shelves. Conversion of portions of the initial volumes to wet inlays (essentially tags with adhesive applied) will be processed by Thinfilm's supply-chain partners during the first half of 2016, and the Company is in negotiations with Nedap regarding scaled-up delivery quantities.

The success with EAS demonstrates Thinfilm's ability to develop and commercialize advanced technology from R&D all the way to volume production.

NFC OpenSense

In February of 2015, Thinfilm launched its new flagship product, NFC OpenSense™, a new near field communication sensor technology. The wireless tags can detect a product's factory-sealed and opened states, and contain two unique IDs. The IDs are encoded during the manufacturing process, and deliver unique consumer engagement and product authentication functionality, directly through the mobile phone. The patent-pending technology has applications in a range of industries, primarily in the FMCG (fast moving consumer goods) and CPG (consumer packaged goods) arenas.

Samples have been delivered to more than a dozen Fortune 2000 companies across a range of vertical markets representing specialty foods, wine, spirits, tobacco, OTC pharma, and medical devices.

NFC OpenSense generated a number of pilot orders throughout 2015 and early 2016, including large volume

orders from from G World Group, Jones Packaging, Constantia Flexibles, Diageo, Ypsomed, and Barbadillo.

Thinfilm also began delivery of NFC OpenSense pilot-orders to key customers.

NFC SpeedTap™

NFC SpeedTap is a single-ID, non-sensing alternative to NFC OpenSense with applications in authentication and consumer engagement. This product (formerly named NFC Barcode™) became part of Thinfilm's portfolio through the Kivio acquisition, and has been further developed to improve performance and reliability.

In February of 2016, Thinfilm received a 5-figure unit order for NFC SpeedTap tags from a leading global FMCG brand.

Smart Label Platform

Thinfilm is developing a smart sensor platform to produce integrated printed-electronics systems – featuring logic, sensors, batteries, displays, and other components – in a thin, flexible smart label format. The Company is currently developing a temperature-sensing smart label and has established relationships with partners Temptime (pharma) and PakSense (food/perishables) to help bring the product to market.

The strong interest for NFC OpenSense among clients and partners meant that resources originally assigned to the smart label initiative were redeployed and focused on first launching digital NFC products. While progress was made during 2015 on completing design of a fully integrated and assembled sensor platform, Thinfilm is yet to establish volume production capacity for smart labels. The launch of the temperature-sensing smart label is targeted for H2 2016.

Lead Customers

Among the many customer relationships Thinfilm established throughout 2015, the most prominent include digital printing and documents management firm Xerox Corp.; the global drinks company Diageo; the Australia-based authentication solutions provider G World Group; and the Swiss developer/manufacturer of auto-injection systems Ypsomed. In addition, several well-known, but un-disclosed, brand owners are now customers of Thinfilm.

Diageo

In conjunction with the launch of NFC OpenSense in late February, Thinfilm entered into a collaboration with Diageo, the largest drinks company in the world, to incorporate the NFC tags in bottles of Diageo's Johnnie Walker Blue Label® brand of Scotch whisky. The world's first connected "smart whisky bottle" prototype was demonstrated at Mobile World Congress 2015, and CEO Davor Sutija discussed it and the Diageo partnership during a keynote speech he delivered during the event.

Ypsomed

In October, Thinfilm and Ypsomed – a Switzerland-based manufacturer of injection systems and supplier to leading global pharma companies – announced an alliance to incorporate NFC OpenSense™ technology in the YpsoMate® autoinjector pen to create a digitally connected version called Ypsomate Smart®. The device aims to improve adherence among patients who use self-medication delivery systems to treat chronic medical conditions. Ypsomed has stated that they will invest over 50 million Swiss francs (approx. USD 51 million) in the coming years to develop of a new generation of injection and infusion systems, and has named Thinfilm as a lead technology partner.

Ferngrove Wine Group

Ferngrove Wine Group is a Chinese-owned, Western Australia premium wine company and a major supplier of red wine to the APAC region. Ferngrove exports more than 600,000 bottles annually to China alone and has over 50 retail outlets throughout the region. Ferngrove came to Thinfilm through the Company's partner, G World Group, and NFC OpenSense field trials are planned in select Chinese markets around mid-year 2016.

Nedap Retail

Nedap Retail is a leading developer and supplier of technology solutions for the retail market. The firm supplies global fashion brands with a high-value loss prevention system – featuring Thinfilm's EAS tags – under Nedap's !FaST brand. Nedap placed a 13-million unit order for EAS with Thinfilm, 11.2 million units of which had been delivered by Thinfilm through year-end 2015.



Barbadillo

Thinfilm and Barbadillo, a leading Spanish winemaker, unveiled a highly exclusive release of rare sherry (Versos 1891) in connected “smart bottles” protected by Thinfilm’s NFC-based authentication technology. The NFC OpenSense tags incorporated into each bottle are designed to thwart counterfeiters, prevent unauthorized refills, and facilitate product authentication. Bottles of Versos 1891 – equipped with NFC OpenSense tags – are in the market today.

Key Partners and Go-to-Market Activities

Thinfilm established a number of partnerships and strategic alliances during 2015 to leverage external expertise, gain access to prospective clients, and help get product to market. These relationships include firms spanning a range of vertical markets, conversion specialists (e.g., packaging, labeling), and global intergovernmental organizations.

G World Group

Thinfilm announced a key partnership with the G World Group, an Australia-based company specializing in authentication technology and solutions. The companies unveiled the industry’s first “smart wine bottle” built using printed electronics technology at Mobile World Congress Shanghai, and are now preparing to execute a live field trial in collaboration with the Ferngrove Wine Group.

Leo Burnett / Arc Worldwide

Thinfilm announced a strategic partnership with Arc Worldwide, the digital activation subsidiary within Leo Burnett, one of the world’s largest and most respected creative communication agencies. Arc’s client list includes McDonald’s, Kellogg’s, P&G, MillerCoors, Purina, and Scotch. Thinfilm and Arc are collaborating to deliver NFC OpenSense™ technology to Leo Burnett / Arc clients for a range of digital and IoT-related applications, including mobile marketing, consumer engagement, customer loyalty, social media integration, and product authentication.

Jones Packaging

Toronto-based Jones Packaging, a world-class provider of premier packaging solutions for healthcare and consumer brands, teamed up with Thinfilm to create “smart packaging” solutions for top pharmaceutical brands. The companies are integrating NFC OpenSense technology into paperboard pharma packaging for Rx (prescription) and OTC medications and will establish key manufacturing processes for production on Jones’ high speed lines. Jones is engaging its existing pharmaceutical clients to incorporate the smart technology into product packaging and help deliver the solution to market.

Tata Consultancy Services

In 2015 Thinfilm and Tata Consultancy Services (TCS) started a collaboration leading to a partnership, announced in early 2016, to create the “Next Experience in Retail” by combining Thinfilm’s NFC technology and TCS’s comprehensive portfolio of retail solutions. TCS is a leading IT services, consulting and business solutions firm, and demonstrated several next-generation retail solutions with Thinfilm at NRF@16, the US-based National Retail Federation’s annual convention and EXPO.

Constantia Flexibles

In 2015 Thinfilm started working with Constantia Flexibles, one of the world’s leading manufacturers of flexible packaging and labels. In early 2016 Constantia announced a partnership with Thinfilm. The target is to deliver pressure-sensitive labels featuring Thinfilm’s NFC OpenSense™ technology to leading brands within the beverages industries for consumer engagement and mobile marketing applications.

World Customs Organization

In May 2015, Thinfilm began a partnership with the World Customs Organization (WCO). With 180+ member countries, the WCO is the international authority on customs-related matters and provides leading-edge tools to combat counterfeiting and piracy around the world. At the time of the announcement, Thinfilm’s NFC products were the first NFC-based solutions included in the WCO’s Interface-Public Members platform.

SmartSign

Thinfilm formed a strategic alliance in February 2016 with SmartSign, a leading provider of digital security products and other technology-based solutions in Southeast Asia. Thinfilm and SmartSign are leveraging Thinfilm’s NFC OpenSense™ technology as a means of addressing rampant counterfeiting in many Vietnamese markets, including wine and spirits, tobacco, and home health products.

Enhancing Operations

Manufacturing Scale-Up

To enable increased production capacity of Thinfilm’s printed dopant polysilicon (PDPS) logic and accommodate demand from clients and partners, the Company has taken a number of strategic steps to scale up its manufacturing capabilities, including:

- de-bottlenecking the processes related to sheet-based production of PDPS chips
- installing a pilot line in the San Jose facility for onsite prototype development and quick turnaround of smaller product runs for use in field trials
- conducting dedicated development on the equipment and processes necessary for the operational roll-to-roll manufacturing line

- hiring experienced staff members to manage and support all of these scale-up-related activities

Supply Chain & Asia-based Partnerships

In July 2015, Thinfilm opened an office in Hong Kong to enhance the Company's supply chain function and establish a series of strategic partnerships in Asia focused on integration, assembly and conversion capabilities.

Leadership and Staff Members

The Company continued to strengthen the team overall, to support increasing development, yield, production and market activities. Key personnel were added in many areas, including engineering, product design, testing, quality management, sales, and strategic marketing. The total number of employees worldwide increased by 14% in 2015, from 95 at the start of the year to 108 at year-end. The number of employees in Linköping, Sweden decreased, as the development efforts on organic transistors were scaled back, and as Xerox has assumed responsibility for volume production of Thinfilm Memory™.



Dr. Peter Fischer was promoted to Chief Operating Officer and oversees manufacturing, supply chain, and technology transfer. Dr. Fischer joined Thinfilm in Q4 of 2013 as Chief Product Officer, initially serving as the company's technical lead in Product Marketing and Business Development. Dr. Fischer is currently based in San Jose to oversee production scale-up initiatives.

Kai Leppänen was promoted to the Chief Commercial Officer role after having served as Thinfilm's Vice President of Sales and Business Development, EMEA, since August of 2013.

Erwan Le Roy was hired as SVP, Strategic Marketing and GM, Sensor Products. Mr. Le Roy leads development of the sensors roadmap and go-to-market strategies for Thinfilm's temperature sensor smart label and future iterations of the Company's sensor product line. He is also a member of the executive management team.

Dr. Michael Vyvoda was hired as VP Manufacturing in Thinfilm's San Jose facility to lead scale-up initiatives related to the production of PDPS logic. He previously held senior manufacturing-related positions at Matrix Semiconductor and SanDisk.

Quality Management

The Company also received ISO 9001 certification. The accreditation is an industry standard that verifies the integrity of an organization's Quality Management Systems (QMS) and recognizes its ability to meet customers' quality requirements while continually improving operational processes.

Research & Development Funding

Thinfilm received funding from several industry- and government-related groups to help develop technologies within the printed electronics and IoT industries.

European Commission

In June, Thinfilm received a €440,000 grant from the European Union's "Horizon 2020" research and innovation program to participate in an initiative focused on the advancement of printed electronics technology. In December 2015, Thinfilm was awarded a grant from the European Commission as part of its Horizon 2020 research and innovation initiative. The €472,312 grant funds the "TagItSmart" project, through which Thinfilm will partner with Siemens, Unilever, and other organizations to create the world's first "Internet of Things" (IoT) platform featuring open-source architecture.

FlexTech Alliance

The Company received \$350,000 in funding through the FlexTech Alliance to create smart labels featuring next-generation sensors and NFC capabilities. FlexTech Alliance is a leading industry association focused on growth, profitability, and success throughout the manufacturing and distribution chain of flexible, printed electronics.

Research Council of Norway (NFR)

In January 2015, the Research Council of Norway awarded Thinfilm a grant of NOK 12 million (approximately USD 1.65 million) for research into novel assembly methods and barrier coatings for printed electronic systems. Thinfilm is partnering with SINTEF, the largest independent research institution in Scandinavia, over three years to help extend printed electronics research excellence in Norway.

Finance

While Thinfilm's 2015 revenue only increased marginally, compared to 2014, the composition of revenue reflects the Company's transition from development to production. In 2015 sales revenue was dominated by product related revenue and income from Xerox. In 2014, sales revenue came predominantly from development projects.

The Company also made improvements to enhance accessibility and services for its current and prospective investor bases, while receiving two sizeable investments from external sources.

Oslo Børs Listing

The Company upgraded its listing on the Oslo Stock Exchange, transitioning from the smaller-company-focused Oslo Axess to the exchange's main list – the Oslo Børs.

ADR Launch

With the help of its Principal American Liaison (PAL), Cowen, Thinfilm launched a Level-1 ADR (American Depository Receipt), a US dollar-denominated vehicle trading on the OTC Marketplace. The ADRs are available for trading in the United States on OTCQX under the symbol "TFECY," and each ADR represents 10 ordinary shares listed on the Oslo Børs under the symbol "THIN." The establishment of an ADR facility and Thinfilm's inclusion on OTCQX provide US investors with a more direct means of trading and accessing information.

External Investments in Thinfilm

In June of 2015, the Company announced a \$22 million investment in Thinfilm by several leading US funds. The proceeds were earmarked for back-end de-bottlenecking, as well as capacity expansion to 1) increase production capabilities for NFC OpenSense™, NFC SpeedTap™ and EAS tags and 2) position Thinfilm to meet product demand from current and prospective customers.

Subsequently, in February of 2016, Woodford Investment Management agreed to invest USD 42 million in Thinfilm, while acquiring an additional 40 million warrants. Woodford Investment Management is one of the UK's leading fund managers. The issuance of shares and warrants were approved at an extraordinary general meeting in Thinfilm on March 16, 2016. This decision enables Thinfilm to continue its de-bottlenecking efforts in certain production areas. The capital also allows for the continued scale-up of NFC and EAS solutions, and provides funding necessary to bring additional sensor products to market in 2016.

Events and Media Coverage

Throughout 2015 and the beginning of 2016, Thinfilm participated in a number of industry, academic, and



Mobile
World
Congress
2016



thought leadership events across the globe. The events are often a key source of sales and business development leads, and many of them included sponsorship roles and speaking engagements for Thinfilm personnel. These events included Mobile World Congress 2015 and 2016 (Barcelona), RFID Live, Mobile World Congress Europe, Mobile World Congress Shanghai, Internet of Things Influencers Summit, Wines & Vines Packaging Summit, Digital Strategy Innovation Summit, eBev, InnoCos Digital, Active & Intelligent Packaging Conference, and Printed Electronics USA.

Thinfilm also received consistent coverage from industry and mainstream press – particularly as it related to the Internet of Things and the role Thinfilm plays in it with regard to printed electronics and NFC technologies. Publications covering Thinfilm throughout 2015 and early 2016 include Barron's, Advertising Age, The Economist, Kiplinger's, Forbes, The Atlantic, The Daily Mail, USA Today, The Drum, CNET, CNBC, GigaOM, New York Daily News, Los Angeles Times, San Jose Mercury News, The Irish Times, and Quartz.

Summary

In summary, the Board believes Thinfilm is well positioned to capitalize on opportunities that exist within the IoT, mobile/digital marketing, and printed electronics arenas. The scale and cost benefits that Thinfilm can provide by leveraging proprietary printed electronics processes, combined with leading-edge NFC technology and a proliferation of NFC smart phones, position the Company to capitalize on the growing number of IoT opportunities. Thinfilm strengthened its platform over the course of 2015 and early 2016 by advancing its roadmap and generating commercial traction. The market opportunities Thinfilm

is addressing are formidable and the Company has been successful in attracting globally leading customers and partners within different verticals. While visibility is limited, as most customers are in sampling and pilots, the Company continues its efforts to increase production capacity to meet anticipated volume orders. We believe the Company is well-placed to continue its disruption of the conventional electronics space and establish itself as a catalyzing force in powering the Internet of Things.

Group financial statements

Thinfilm's revenue and other income in 2015 amounted to USD 4,413 thousand, a decrease of USD 66 thousand compared to 2014. Excluding the other income recognized in the period, total revenue was USD 4,005 thousand, an increase of USD 16 thousand compared to total revenue in 2014. Sales revenue amounted to USD 2,214 thousand in 2015 (2014: USD 1,849), while revenue related to government grants and other funded projects amounted to USD 1,791 thousand over the same period (2014: USD 2,140 thousand). Other income amounted to USD 408 thousand in 2015 compared to USD 490 thousand in the preceding year. The other income recognized in 2015 was almost entirely related to sublease income from the San Jose site. In 2014, income associated with the acquisition of certain assets from Kovio, Inc. accounted for USD 469 thousand of the other income total of USD 490 thousand, which was accounted for as a "Business Combination" as described in IFRS 3. Sales revenue in 2015 was mainly related to technology transfer to Xerox, product deliveries, product development projects with customers and Joint Development Agreement (JDA) activities.

Salaries and other payroll costs amounted to USD 17,727 thousand, compared to USD 14,600 thousand in 2014. The increase in payroll costs is caused by higher staffing levels, in particular in the US, to strengthen efforts to produce, market and deliver product. At the end of 2015, there were 106 full-time-employees (FTE) in the group (compared to 90 FTEs at the end of 2014). Costs of external services amounted to USD 5,135 thousand in 2015 (2014: USD 6,601 thousand). The decrease is mainly explained by a decreased activity in development projects with external technology and material partners, brought about by an increased focus on taking significantly developed products to market. External services also include the use of contracted specialists in various professions (business development, legal, accounting, marketing, and design). Costs of premises and supplies were USD 7,562 thousand in 2015, up from USD 5,091 thousand in the preceding year. The increase is mainly related to the costs for manufacturing supplies as production activities increased significantly in 2015. The NFC Innovation Center in San Jose is a front-end production facility, and is currently in operation 24

hours per day, seven days per week. While the bulk of the production currently remains non-revenue generating (engineering lots used for yield, design, and product development work), the cost impact is close to that of a fully ramped facility. Costs related to the establishment of the back-end supply chain in Asia were also recorded in 2015 as these activities were accelerated in the second half of the year. Sales and marketing costs amounted to USD 2,774 thousand in 2015. The corresponding figure for 2014 was USD 2,196 thousand. The cost increase was largely caused by an increased activity level in the sales and marketing organization towards existing and prospective customers. Other expenses increased from USD 482 thousand in 2014 to USD 1,466 thousand in 2015, an increase driven mainly by costs related to delivery of labels due to higher product sales in 2015 compared to 2014. Depreciation and amortization charges amounted to USD 1,537 thousand in 2015 (2014: USD 1,305 thousand). The Company invested USD 4,809 thousand in fixed assets in 2015 (2014: USD 3,537 thousand). USD 4,162 thousand of this relates to equipment and tools for the Printed Dopant Polysilicon (PDPS) line as well as improvements to the San Jose site. Thinfilm also invested USD 911 thousand in intangible assets during the year (2014: USD 2,995 thousand). In 2015 the main part of the investment was explained by licencing of technology, while the 2014 number was dominated by the acquisition of Intellectual Property of Kovio Inc. in January 2014.

Other financial income in 2015 amounted to a gain of USD 3,358 thousand (2014: USD 701 thousand). The increase is explained mainly by the strengthening of the USD towards the NOK during the year, as the Company held a significant share of its cash in USD. The reason for this is that the functional currency of the Parent Company was NOK during 2015, while the presentation currency of the group has been USD. When USD strengthens relative to NOK, a financial gain on USD cash holdings is recorded.

The Group operates at a loss and there is a tax loss carry forward position, such that the group has not incurred any significant tax costs in 2015 or the prior year. The Group has not recognized these deferred tax assets in its balance sheet because these potential assets do not yet qualify for inclusion.

The net result for 2015 was a loss of USD 29,382 thousand, representing a loss of USD 0.05 per basic share. In 2014, the loss amounted to USD 25,096 corresponding to a similar loss of USD 0.05 per basic share.

At the end of 2015, cash and bank deposits amounted to USD 15,940 thousand, which represented 53 per cent of the total assets of USD 29,815 thousand. On 31 December 2014, the cash position amounted to USD 30,854 thousand, or 75 per cent of the balance sheet.

Non-current assets amounted to USD 10,390 thousand (2014: USD 7,189 thousand). The increase was mainly driven by the investments in fixed assets during the year. Trade and other receivables amounted to USD 3,118 thousand at the end of 2015 (2014: USD 2,565 thousand). The increase relates mainly to an increase in prepayments to suppliers and equipment vendors, as well as grant receivables. The Company does not have any interest-bearing debt and the equity ratio was 83 per cent at the end of 2015, versus 88 per cent at the end of 2014.

The Group's cash balance decreased by USD 14,914 thousand in 2015 (compared to a decrease of USD 12,948 in 2014), largely explained by three principal cash flow elements. First, operating activities resulted in a cash outflow of USD 26,036 thousand (2014: USD 24,381 thousand). This corresponds to the operating loss excluding change in net working capital, share-based remuneration, write-down of inventory, depreciation & amortization and loss on sale of fixed assets. Second, cash outflow related to investing activities amounted to USD 5,404 thousand in 2015 (2014: USD 5,347 thousand), mainly due to investments in equipment and tools for the PDPS line as well as improvements to the San Jose site. Third, the cash inflow from financing activities with proceeds from issuance of shares of USD 21,130 thousand (2014: USD 22,289 thousand), mainly related to the investment by US funds in June 2015. Funds available at year-end, i.e., cash position plus receivables less payables, amounted to USD 13,888 thousand (2014: USD 28,671 thousand).

The Board believes Thinfilm is well positioned to capitalize on opportunities that exist within the IoT, mobile/digital marketing, and printed electronics arenas. The scale and cost benefits that Thinfilm can provide by leveraging proprietary printed electronics processes, combined with leading-edge NFC technology and a proliferation of NFC smart phones, position the Company to capitalize on the growing number of IoT opportunities.

Parent company financial statements

Revenue and other income in the Parent Company amounted to NOK 24,386 thousand in 2015 (2014: NOK 21,230 thousand), where NOK 17,848 thousand was recorded as sales revenue (2014: USD 11,789 thousand), NOK 5,432 thousand related to government grants being recognized as other revenue over the period (2014: NOK 9,036 thousand) and NOK 1,104 thousand relating to other income (2014: NOK 396 thousand). The difference between Group and Parent Company other revenue is because some of the grant revenue is recognised in the subsidiaries. Other revenue in the Parent Company is in full explained by inter-company sales of services to the Swedish subsidiary, eliminated at group level.

Personnel and payroll costs were NOK 23,978 thousand in 2015, up from NOK 22,437 thousand in the preceding year. The Parent Company employed, on average, 10 full-time employees in 2015, compared to an average of nine full-time employees during 2014.

External purchases of services amounted to NOK 23,801 thousand in 2015, a decrease from NOK 32,474 thousand in the preceding year. Of the total amount for 2015, (i) NOK 10,230 thousand related to legal, audit and accounting services, (ii) NOK 2,738 thousand were tied to advisory services, technology support services and recruitment services, (iii) NOK 823 thousands related to remuneration of the Board of Directors and (iiii) NOK 10,010 thousand relating to the purchase of external development work services. The decrease is mainly explained by lower use of external development work in 2015 compared to 2014.

Purchase of services from subsidiaries increased to NOK 237,085 thousand in 2015 from NOK 127,405 thousand in 2014, largely explained by the increased activity at the site in San Jose, USA.

Other operating expenses increased from NOK 10,737 thousand in 2014 to NOK 13,156 thousand in 2015. The increase is mainly explained by higher sales & marketing costs, as well as travel costs, in 2015 compared to 2014.

Because the company had a project qualified for the SkatteFUNN (tax credit) scheme in 2015, the net contribution of NOK 6,600 thousand has been credited to costs (2014: NOK 4,400 thousand).

Amortization of intangible assets & negative goodwill amounted to NOK 1,099 thousand in 2015 compared to NOK 744 thousand in 2014. This increase results from the amortization of intellectual property rights purchased in 2015.

Net financial items amounted to a net gain of NOK 24,722 thousand in 2015, compared to a gain of NOK 4,511 thousand in 2014. The increase is explained mainly by the strengthening of the USD towards the NOK during the year, as the Company held a significant share of its cash in USD. When USD strengthens relative to NOK, a financial gain on USD cash holdings is recorded, since the functional currency of the Parent Company was NOK during 2015. This resulted in a financial gain of NOK 27,076 thousand in 2015. The decrease in interest income from NOK 3,660 thousand in 2014 to NOK 1,304 is mainly due to lower interest levels and cash holdings in 2015 compared to 2014.

The net result for 2015 for Thinfilm ASA was a loss of NOK 243,410 thousand. The Board of Directors proposes that the loss is carried forward as uncovered loss. The Board does not propose a dividend for 2015.

Share capital

Thinfilm shares were listed on Oslo Axess from 30 January 2008 until 26 February 2015. On 27 February 2015 Thinfilm shares were transferred to Oslo Børs (OSE Main List).

On 21 October 2014, it was announced that Ferd AS had agreed to acquire 37,500,000 shares in the Company at a subscription price of NOK 4.00 per share totalling NOK 150,000,000 (USD 23 million) equal to 7.3% of the shares in Thinfilm. At the 14 November 2014 extraordinary general meeting of Thinfilm, it was resolved to issue said shares, and upon subscription in the offering, Ferd also received 31,250,000 warrants, each with an exercise price of NOK 4.80.

On 19 June 2015, it was announced that US funds had agreed to acquire 34,034,653 shares in the Company at a subscription price of USD 0.6464 (NOK 5.01) per share totalling USD 22.0 million (NOK 170 million) equal to 6.1% of the shares in Thinfilm. At the 14 July 2015 extraordinary general meeting of Thinfilm, it was resolved to issue said shares, and upon subscription in the offering, the US funds also received 17,017,326 warrants, each with an exercise price of NOK 6.10.

At the end of 2015, there were 555,374,857 shares in the Company which were held by 4,739 shareholders. Par value is NOK 0.11 per share.

On 19 February 2016, it was announced that Woodford Investment Management had agreed to acquire 120,000,000 shares in the Company at a subscription price of NOK 3.00 per share totalling NOK 360,000,000 (USD 42 million) equal to 17.8% of the shares in Thinfilm. At the 16 March 2016 extraordinary general meeting of Thinfilm, it was resolved to issue said shares, and upon subscription in the offering, Woodford Investment Management also received 40,000,000 warrants, each with an exercise price of NOK 4.50.

The closing price of Thinfilm shares was NOK 3.80 on the last trading day in 2015, a decrease of 24 per cent compared to the closing price at the end of 2014 (NOK 5.00). Share turnover amounted to NOK 2,826 million versus NOK 701 million in 2014.

The annual general meeting in 2015 authorized the Board to complete one or more placements by issuing up to 52,114,735 shares, which at the time corresponded to 10 per cent of the Company's registered share capital.

Thinfilm continued to strengthen its organization and internal capabilities during 2015. At the end of 2015, the group employed 106 full-time employees, compared to 90 at the end of 2014. Thinfilm is a company with a global scope of operations

Following the private placement on 19 June 2015, in which 34,034,653 shares were issued to US funds, the remaining authorization amounted to 18,080,082 shares at the end of 2015. The authorization expires at the annual general meeting in May 2016. The annual general meeting in 2015 resolved an authorization to the Board to grant up to 52,114,735 independent subscription rights to employees and to individual consultants performing similar work in Thinfilm, but limited so that the total number of

outstanding subscription rights under all subscription rights programs shall not exceed 10 per cent of the share capital. By the end of 2015, the Board had granted 10,880,000 subscription rights under this authorization and the total number of outstanding subscription rights was 35,710,000. Further 735,000 subscription rights have been granted, 837,500 exercised, and 1,945,000 forfeited and expired to date in 2016. Consequently, the total number of subscription rights on 12 April 2016 is 33,662,500, hence well within the 10% limitation. The authorization expires at the annual general meeting 2016.

The Board has authorized for the Company to acquire up to 10% of its own shares, and granted the authorization at the 7 May 2015 Annual General Meeting.

Risk and risk management

Thinfilm is exposed to various risks of a financial and operational nature. It is the duty of the Board to present the principal risks of Thinfilm and its business.

The Company's predominant risks are market and business risks, summarized in the following points:

- (i) Many of the emerging markets that Thinfilm targets, as well as the markets it intends to pursue, are still immature, and there is a potential risk of delays in the timing of sales.
- (ii) To some extent, Thinfilm is dependent on continued collaboration with technology, material, and manufacturing partners.
- (iii) Product-development risks related to cost-functionality competitiveness of the products Thinfilm is developing.
- (iv) Long-term funding risk, as the Company is not yet cash generative and there is uncertainty tied to the generation of future cash flow.

Going forward, Thinfilm foresees two important revenue sources:

1. Sales of its own manufactured products and
2. Licensing/royalty revenue, where partners and customers pay for using the Company's intellectual property rights (IPR). Thinfilm's ability to earn revenue partly depends on continued successful technology and product development as well as the Company's ability to legally protect its IPR. This is, in turn, depends on the Company's ability to attract and retain competent staff and the adequacy of Thinfilm's patenting and other IP-protection activities.

Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates and interest level. Reference is made to Note 4 to the consolidated financial statements.

Thinfilm operates at a loss. At the date of this report, the Company's cash position is adequate to cover all liquidity needs for 2016 and into 2017.

Going concern and events in 2015

The Board confirms that the financial statements of the Group as well as the Parent Company have been prepared under the going concern assumption. The Board has a reasonable expectation that the Company has adequate resources to continue in operational

existence for the foreseeable future. Moreover, the Board has formed a judgment that, after having taken the recently announced investment from Woodford Investment Management into consideration, as of the date of approving the financial statements, the Company has adequate resources to fund operations for the rest of 2016 and into 2017.

Since 31 December 2015 and until the date of these financial statements, the Board has granted a total of 735,000 subscription rights under the subscription rights-based incentive program resolved by the annual general meeting 2015. The exercise price of the granted subscription rights is NOK 3.56 per share.

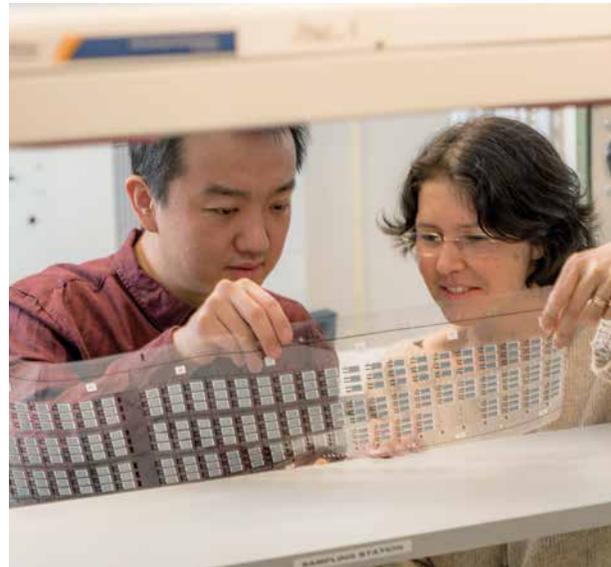
Between 31 December 2015 and the presentation of this report, no events with any substantial impact on the result for 2015 or the value of Thinfilm's assets and liabilities at the end of 2015 have occurred.

Corporate governance

In 2007 the Board adopted policies for corporate governance to safeguard the interests of the Company's owners, employees, and other stakeholders. These principles and associated rules and practices are intended to create increased predictability and transparency, and thus reduce uncertainties connected with the business. These principles and rules are reviewed annually by the Board.

The Board has made all reasonable efforts to ensure that Thinfilm's guidelines for corporate governance have been followed carefully. The Company's internal rules of governance accord with guidelines in the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 ("the Code"). The updated review of corporate governance at the end of 2015 is included in the annual report. Pursuant to the Norwegian Accounting Act §3-3b, the Company has updated corporate governance principles related to internal control and risk management of financial reporting, which is described in section 10. In addition to the Company's guidelines for corporate governance, specific instructions have been prepared with regard to: policy for ethical guidelines, policy for reporting and IR, policy for contact with shareholders, policy for assignments to auditor, policy for information management in an unusual situation, and policy for CEO's remuneration of other executives. The general meeting 2015 resolved guiding and binding executive remuneration policies. The statement, including the policies and the actual remuneration to the management in 2015, has been included in the notes to the financial statements. The CEO of the Parent Company is also CEO for the Group and serves as CEO in Thinfilm AB and the Chairman in Thinfilm, Inc., without additional remuneration.

The Board believes that the working environment at Thinfilm is pleasant, stimulating, safe, and beneficial to all employees, and complies fully with relevant laws and regulations.



Outlook

Thin Film Electronics is developing technology that is expected to be critical to the extension of the Internet of Things to ordinary objects. Thinfilm's NFC OpenSense™ and SpeedTap™ labels communicate wirelessly with appropriately configured NFC-enabled smartphones, and can be applied to consumables and other disposable objects. The inclusion of NFC in smartphones increased dramatically in 2015, and according to NFC Forum, there are now 1 billion smart phones with NFC, and the number is expected to increase to 2 billion in 2016. In addition, applications well beyond payments are now being introduced, and most major OEM smartphone manufacturers are now members of NFC Forum, including Samsung and Apple, where Thinfilm continues to chair the Retail sub-committee. (<http://www.smartcardalliance.org/nfc-expands-beyond-payments-makes-big-impacts-across-industries-with-handsets-in-the-market-reaching-1-billion/>).

During 2015, Thinfilm neared completion of technology transfer to Xerox of its printed memory IP. This transfer enables Xerox to start manufacturing which, in turn, is expected to lead to royalty payments to Thinfilm. Also in 2015, Thinfilm began mass-production of wireless tags for electronic article surveillance, shipping over 10M units during the year, and launched NFC wireless products in Q1 15, with pilot deliveries of NFC OpenSense™ labels to lead customers in several verticals, including wines, spirits, and medical products starting in Q4 15. Thinfilm's NFC labels are distinguished by their exceptional speed, less than 10 milliseconds for full read, their ability to identify whether a product package has been opened, and by the fact that each label is encoded during production with a unique identifier or URL, which prevents hacking and spoofing. Thinfilm has also built a significant partner ecosystem, including an exclusive partnership with Leo Burnett/ARC,

the world's leading digital activation agency and advertising group, and go-to-market implementation partners such as Tata Consulting Services, who are incorporating Thinfilm into their next-generation retail products. In addition, packaging partners such as Jones Packaging, specialized in pharma packaging, and Constantia Flexibles, a Spear Europe Ltd. Company, the leading provider of labels to the global beverage industry, are developing qualified reference designs intended to provide ease of completing field trials and market introductions on Thinfilm's NFC products.

Thinfilm plans to continue to increase production capacity, which currently allows seven-figure monthly production of NFC labels and multi-million monthly production of EAS tags, to reach an overall 40-million annual unit production capacity, based on NFC label equivalents, in Q2 16. This is expected to support the market introduction of NFC label products in categories such as wines and specialty foods, and field trials in liquors, while also providing capacity for the expected demand from new EAS orders, currently under negotiation.

The process of migrating transistor manufacturing from sheet-based to roll-based PDPS production has progressed. Initial engineering design for manufacturing equipment is now completed, and vendor selection and site selection commenced. By accelerating the transition to roll-to-roll printed electronics manufacturing through capex investment, Thinfilm expects to be prepared to support up to a billion-unit annual production volume in 2018. In parallel, the Company will look to partner with scale-up qualified, industrial companies to maintain its low-capex business model, as exemplified by its Thinfilm Memory partnership with Xerox. Thinfilm expects to maintain a significant investment in new product development, focusing on new sensor labels, with launch dates later this year for temperature sensors.

Organization, personnel, and the environment

The Board would like to thank all Thinfilm employees, contractors, and partners for their dedicated efforts and for the results achieved in 2015.

Thinfilm continued to strengthen its organization and internal capabilities during 2015. At the end of 2015, the group employed 106 full-time employees, compared to 90 at the end of 2014. Thinfilm is a company with a global scope of operations and international reach. Being at the forefront of technological innovation, successful recruitment and development of staff is central to Thinfilm’s success.

During 2015, Thinfilm was able to attract highly qualified new employees. The Board is pleased that the Company is able to attract, recruit, and retain world-class competence and expertise, and sees this as a recognition of Thinfilm’s leading position in the printed electronics industry and as a sign that Thinfilm will be able to maintain its growth in the future. At the end of 2015, 25% of the employees held Ph.D.s. In 2015 Thinfilm continued to increase staffing in production, supply chain, product management and sales & business development, primarily at the NFC Innovation Center in San Jose, California. In Linköping, Sweden, the number of employees was reduced during 2015 and going into 2016. This is largely due to development efforts on organic transistors being scaled back and Xerox assuming responsibility for volume production of Thinfilm Memory™.

The Board believes that the working environment at Thinfilm is pleasant, stimulating, safe, and beneficial to all employees, and complies fully with relevant laws and regulations. There were no workplace injuries to the Company’s employees causing absence from work, and

no significant incidents involving the Company’s assets have occurred. Sick leave was low in 2015, and was consistently low in previous years. Thinfilm employees are covered by benefit programs in line with practices in their respective countries. In addition to employees of the parent company and its subsidiaries, Thinfilm has contracted specialists in business development, technology, design, accounting, and other services. Patenting and other intellectual property rights (IPR) services are procured from AWA Patent, from an IPR consultant and from external legal counsel as needed.

Thinfilm practices equal opportunities in all aspects. As per 31 December 2015, the share of female employees in the Company was approximately a quarter, a slight increase compared to 2014. The management team was all male as of December 2015, compared to in 2014 when there was one female management team member. Equality is one important aspect considered when recruiting new employees. The Board considers the equality to be good, and has not found reason to initiate any particular measures. The Company has updated its ethical guidelines, which include an emphasis on the Company’s personnel policies.

Thinfilm’s Board of Directors consists of two women and three men, the composition of which satisfies the gender requirements of the Norwegian public limited companies act. The Board includes Mr. Morten Opstad (Chairman), Ms. Rita Glenne, Ms. Preeti Mardia, Mr. Tor Mesøy and Mr. Rolf Åberg.

Mr. Opstad, Ms. Rita Glenne and Mr. Tor Mesøy were re-elected for two years at the annual general meeting on 7 May 2015. Ms. Preeti Mardia and Mr. Rolf Åberg were re-elected for one year in the same meeting.

Thinfilm follows all relevant environmental rules and regulations, as discussed in the Corporate Responsibility Statement in this report.

The Board of Directors of Thin Film Electronics ASA, Oslo, Norway, 12 April 2016



Morten Opstad
Chairman



Rita Glenne
Board Member



Preeti Mardia
Board Member



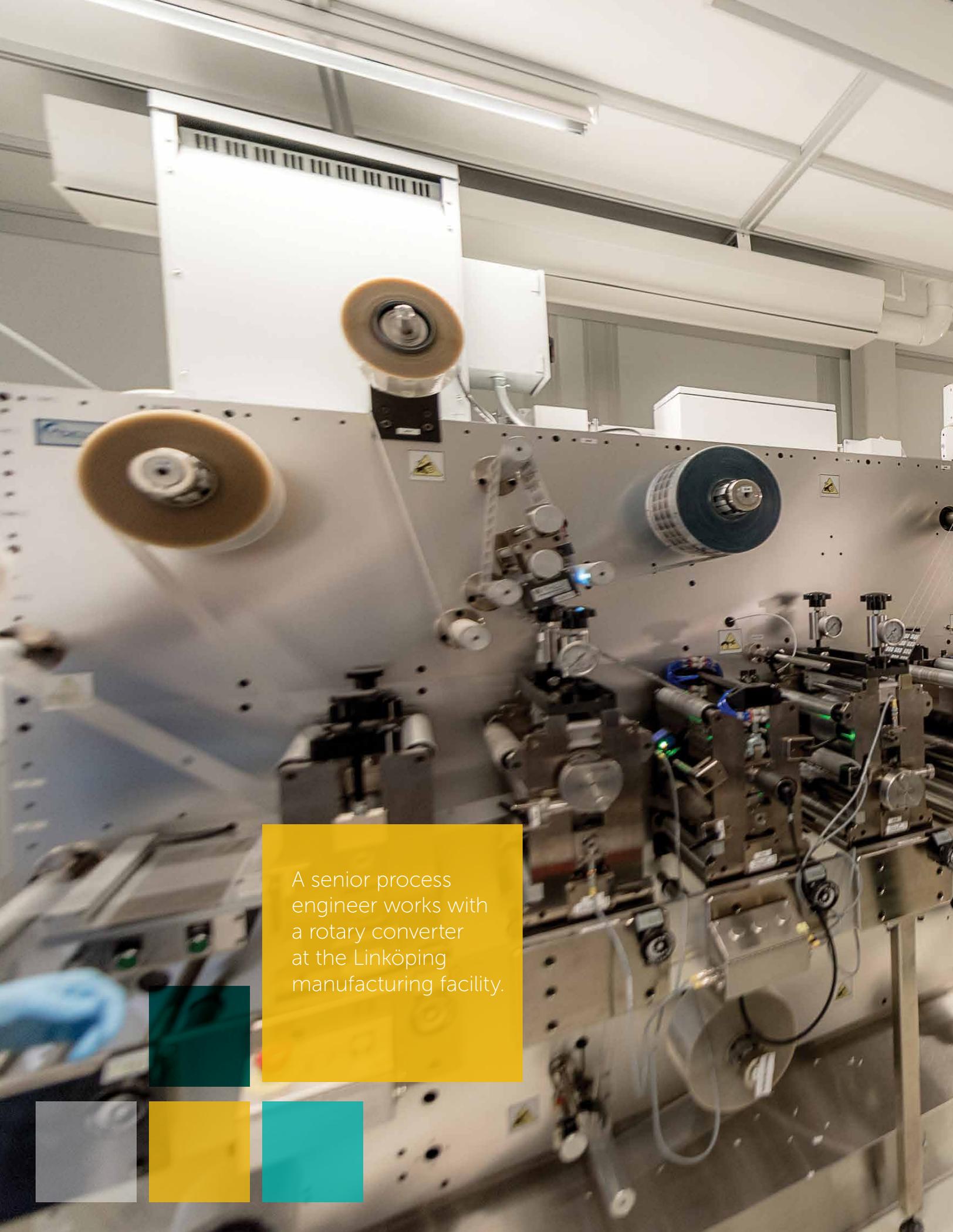
Tor Mesøy
Board Member



Rolf Åberg
Board Member



Davor Sutija
CEO



A senior process engineer works with a rotary converter at the Linköping manufacturing facility.





Thin Film Electronics ASA Group

Consolidated statements of comprehensive income

Consolidated Statements of Comprehensive Income 2015

Amounts in USD 1,000	Note	2015	2014
Sales revenue	13	2 214	1 849
Other revenue	14, 15	1 791	2 140
Other income	16	408	490
Total revenue		4 413	4 479
Salaries and other payroll costs	17	(17 727)	(14 600)
Other operating expenses	18, 22	(16 938)	(14 370)
Depreciation and amortization charge	6,7	(1 537)	(1 305)
Operating profit (loss)		(31 788)	(25 796)
Interest income		163	582
Other financial income		3 358	571
Interest expense		(5)	(6)
Other financial costs		(1 110)	(446)
Net financial items		2 406	701
Profit (loss) before income tax		(29 382)	(25 096)
Income tax expense	19	-	-
Profit (loss) for the year		(29 382)	(25 906)
Profit (loss) per share for profit attributable to the equity holders of the Company during the year			
Basic and diluted, USD per share	21	(0.05)	(0.05)
Profit (loss) for the year		(29 382)	(29 382)
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation		5 162	6 391
Total comprehensive income for the year		(34 544)	(31 487)

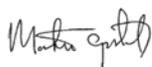
The notes on pages 30 to 49 are an integral part of these consolidated financial statements.

Consolidated statements of financial position

Amounts in USD 1,000	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	7 788	4 870
Intangible assets	7	2 602	2 319
Total non-current assets		10 390	7 189
Current assets			
Trade and other receivables	9	3 118	2 565
Inventory	8	367	451
Cash and bank deposits	10	15 940	30 854
Total current assets		19 425	33 870
Total assets	23	29 815	41 059
EQUITY			
	11		
Ordinary shares		10 466	9 898
Other paid-in capital		119 949	97 637
Currency translation		(14 761)	(9 599)
Retained earnings		(91 008)	(61 626)
Total equity	24	24 645	36 311
LIABILITIES			
Current liabilities			
Trade and other payables	12	5 170	4 748
Total liabilities	23	5 170	4 748
Total equity and liabilities		29 815	41 059

The notes on pages 30 to 49 are an integral part of these consolidated financial statements.

The board of directors of Thin Film Electronics ASA. Oslo, Norway 12 April 2016.



Morten Opstad
Chairman



Rita Glenne
Board Member



Preeti Mardia
Board Member



Tor Mesøy
Board Member



Rolf Åberg
Board Member



Davor Sutija
CEO

Consolidated statements of changes in equity

Amounts in USD 1,000	Note	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2015		9 898	97 637	(9 599)	(61 626)	36 311
Share issue employees		83	728			811
Share based compensation			1 750			1 750
Share issue board remuneration, May 29		1				1
Private placement US funds, June 19		483	19 834			20 317
Comprehensive income				(5 162)	(29 382)	(34 544)
Balance at 31 December 2015	11	10 466	119 949	(14 761)	(91 008)	24 645

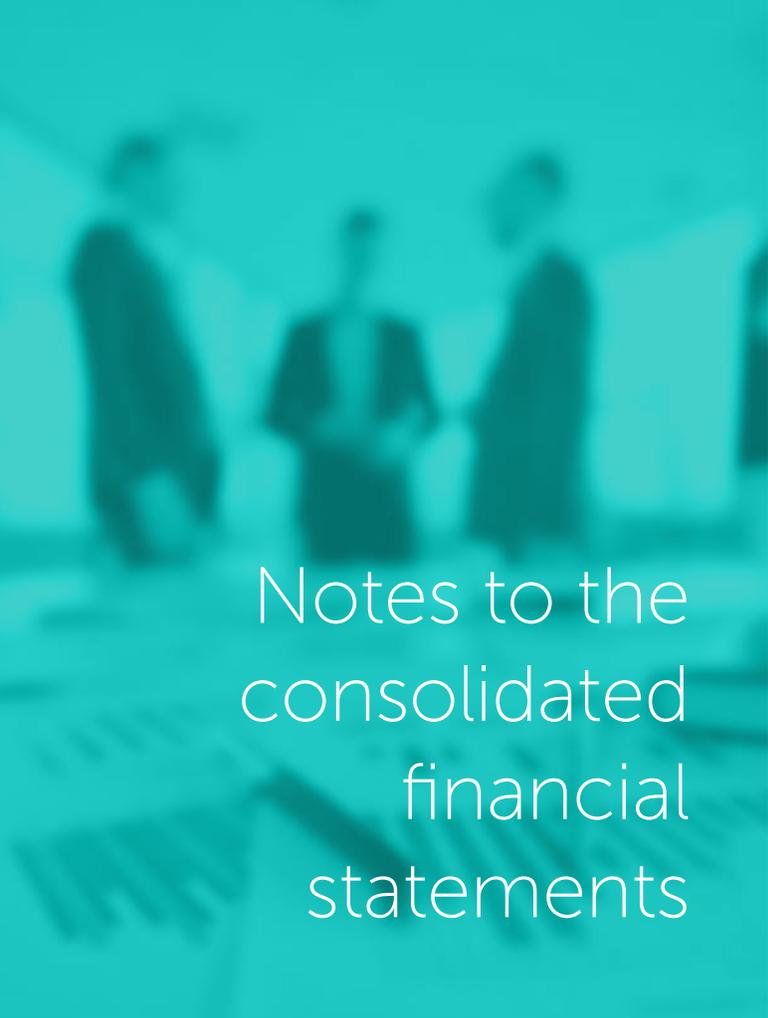
Amounts in USD 1,000	Note	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2014		9 173	72 932	(3 208)	(36 529)	42 366
Share issue employees		85	819			905
Share based compensation			1 903			1 903
Share issue as part of Kivio transaction, 29 January		19	984			1 003
Share issue board remuneration, 8 May		2	2 349			2
Share issue PARC, 26 September		6	230			236
Share issue as Ferd, 14 November		613	20 769			21 382
Comprehensive income				(6 391)	(25 096)	(31 487)
Balance at 31 December 2013	11	9 898	97 637	9 599	61 626	36 311

Consolidated cash flow statement

Amounts in USD 1,000	Note	2015	2014
Cash flows from operating activities			
Operating profit (loss)		(31 788)	(25 796)
Adjusted for:			
- Share-based remuneration	17, 24	1 707	1 903
- Depreciation and amortization	6,7	1 537	1 307
- Write down inventory		319	-
- Loss on sale of fixed assets		130	-
- Changes in working capital and non-cash items		2 060	(1 794)
Net cash from operating activities		(26 036)	(24 381)
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(4 809)	(3 191)
Purchases of intangible assets		(799)	-
Acquisition of business activity	16	-	(2 700)
Capitalized development expenses	7	(112)	(26)
Proceeds from sale of fixed assets		170	-
Interest received		146	570
Net cash from investing activities		(5 404)	(5 347)
Cash flows from financing activities			
Proceeds from issuance of shares		21 130	22 289
Net cash from financing activities	11	21 130	22 289
Currency translation effects on cash balances		(4 603)	(5 509)
Net change in cash and bank deposits	10	(14 913)	(12 948)
Cash and bank deposits at the beginning of the year		30 854	43 803
Cash and bank deposits at the end of the year	10	15 940	30 854

The Group had no bank draft facilities at the end of 2016 or 2015.

The notes on pages 30 to 49 are an integral part of these consolidated financial statements.



Notes to the consolidated financial statements

1. Information about the group

Thin Film Electronics ASA ("Thinfilm ASA" or "the company") was founded on 22 December 2005. Thin Film Electronics ASA group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics Inc. ("Thinfilm Inc."), Thin Film Electronics KK ("Thinfilm KK") and Thin Film Electronics HK ("Thinfilm HK"). The Group was formed on 15 February 2006 when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo"). Thinfilm Inc. was incorporated in US during April 2011. Thinfilm KK was incorporated in Japan during January 2013. Thinfilm HK was incorporated in Hong Kong during July 2015. The accounting year corresponds to the calendar year. Thinfilm AB is held 100 per cent and has been consolidated from 15 February 2006. Thinfilm Inc. is held 100 per cent and has been consolidated from 1 May 2011. Thinfilm KK is held 100% and has been consolidated since 1 February 2013. Thinfilm HK is held 100% and has been consolidated since 1 August 2015.

The purpose of Thinfilm ASA is commercialization, research, development and production of technology and products related to printed electronics components and smart systems. These objectives

may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015.

These group consolidated financial statements were resolved by the Board of directors on 12 April 2016.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied. For the purpose of ease of reading, the terms "balance sheet" and "accounting" and variations of these have been used interchangeably with the IFRS terms "statement of financial position" and "recognition".

2.1 Basis of preparation

The annual financial statements have been prepared on a historical cost basis. The financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies adopted are consistent with those of the previous financial year, except for the below descriptions. IFRS is continuously developed and recently published standards, amendments and interpretations have been reviewed and considered. None of the new standards, amendments and interpretations that apply as of 1 January 2015 had any impact on the result or equity of Thinfilm in 2015. Reference is made to note 2.20 for a description of changes in IFRS.

From January 1, 2015 the Group changed the presentation currency from NOK to USD. The change in presentation currency has been treated as a change in accounting principles which in accordance with IAS 8 has been done retrospectively by translating comparative figures to USD as if this had always been the presentation currency. Translation to the presentation currency for all transactions prior to the change in presentation currency is done by using the following procedure;

- 1) Assets and liabilities for each balance sheet presented are translated on the rate of exchange at the respective balance sheet date.
- 2) Revenues and expenses for each Income statement presented are translated at average exchange rate for

the period. However, if this average is not a reasonable approximation of the cumulative effect on the rates prevailing on the actual transaction dates, revenues and expenses are translated using the foreign exchange rates on the specific transaction dates.

As a result of the above, a foreign currency translation reserve in equity arises, representing the change in equity calculated at period end-rates versus average rates.

The reason for the change of presentation currency is to provide financial information about Thinfilm that is more useful to investors and other users of the financial statements.

Change in presentation currency is considered a voluntarily change in accounting principle which, according to IAS 1, requires a third statement of financial position as at the beginning of the preceding period, i.e. 1 January 2014. However, the only impact would be that all NOK balances are converted to USD at the currency rate of that day. The company believes that this provides limited useful information to the users of the financial statements of Thinfilm ASA, and has therefore not presented a third statement of financial position. See Section 2.3 and the statement of changes in equity for further description of the method for the translation to presentation currency.

2.2 Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

Determining whether an acquisition meets the definition of a business combination requires judgement to be applied on a case by case basis. Acquisitions are assessed under the relevant IFRS criteria to establish whether the transaction represents a business combination or an asset purchase. Business acquisitions, except for transactions between entities under common control, are accounted for using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Acquisition costs incurred are expensed. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If, after reassessment, the net of

the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the statement of income as a gain on bargain purchase.

2.3 Foreign currency translation

a) Functional and presentation currency

The consolidated financial statements are presented in US dollar (USD).

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

c) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are included in other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are reversed and recognized in the income statement as part of the gain or loss on the sale.

2.4 Property, plant and equipment

Property, plant and equipment consist mainly of printing, manufacturing, laboratory test and office equipment. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method as follows:

- Laboratory equipment 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.5 Inventory

Inventory, components and components under production are valued at the lower of cost and net realizable value after deduction of obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined using the standard cost method. Work in progress includes variable cost and non-variable cost which can be allocated to items based on normal capacity. Obsolete inventory is written down completely.

2.6 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets acquired at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Patents and licenses

Acquired patents and licenses are stated at historical cost. Patents and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents and licenses over their estimated useful lives. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In January 2014, Thinfilm acquired an IP portfolio consisting of patents. These assets are initially recognized at fair value and subsequently measured at cost, less accumulated amortisation and impairment losses.

c) Research and development

Research costs are expensed as they are incurred. An intangible asset arising from development expenditure on an individual project is capitalized only when the Group reliably can measure the expenditure and can demonstrate;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- how the asset will generate future economic benefits
- the group's ability to obtain resources to complete the project

Development costs are amortized over the period of expected use of the asset. In the fourth quarter of 2014 and the third quarter of 2015 the Company started to capitalize development expenses of Thinfilm Memory™ and EAS (Electronic article surveillance) respectively.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill are reviewed for possible reversal of any previous impairment at each reporting date.

2.8 Trade receivables and other receivables

Trade receivables and other short-term receivables are measured at initial recognition at fair value and subsequently measured at amortized cost. Short-term receivables, which are due within three months, are normally not discounted.

2.9 Cash and bank deposits

Cash and bank deposits include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and any bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to raising new equity are shown as a deduction to the equity, net of tax.

2.11 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at carrying value.

2.12 Deferred income tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a

business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted on the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.13 Employee remuneration

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods

The Group manufactures and sells fully printed rewritable memories and printed integrated systems in the form of products delivered to customers, prototype development projects, engineering samples and technology demonstration kits to strategic customers and partners. Sales of goods are recognized when the risks and rewards of ownership are transferred to the customer, the costs incurred or to be incurred in respect of the transaction can be measured reliably and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Rendering of services

The Group provides engineering and support services to strategic customers and partners. Revenue from services provided at an hourly rate is recognized when, or in the same period as, the group has provided the services. Revenue from services related to achieving certain milestones are recognized when the milestone is met, given that the stage of completion as well as the costs incurred at the balance sheet date can be measured reliably. The revenue is recognized when the costs incurred in respect of the transaction can be measured reliably.

(c) Technology access revenue

The Group grants technology access rights to strategic customers and partners, i.e., the right to work with Thinfilm and its technology to develop bespoke printed products and systems. Revenue from granting technology access rights is generally recognized on a straight-line basis over the period or contract term the technology access is granted, however, with the exception of revenue from technology access agreements that involve a lump-sum payment (without termination rights) which is recognized at the time the agreement is entered into.

2.15 Government grants

Grants from the government are recognized at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to profit or loss when all attached conditions have been complied with. Similarly, awarded grants yet not received, but where the group has complied with all attached conditions, are recognized in profit or loss with its offset in trade and other receivables. Grants are recognized as other operating revenue over the periods in which the related costs are accrued (for which the contributions are intended to compensate).

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and the leasing fee is charged to the profit and loss statement.

2.17 Share based remuneration

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date. The fair value of the instruments is determined using a Black & Scholes option pricing model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest.

For social security contribution related to equity-settled share-based payment transactions with employees, a liability is recognized. The liability is initially measured at the fair value of the liability. At the end of each reporting period until the liability is settled, and the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

2.18 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

2.19 Segment information

Operating segments, according to IFRS 8, are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance and making strategic decisions, has been identified as the Chief Executive Officer (CEO). It has been determined that Thinfilm has only one operating segment and no segment information is provided.

2.20 Changes in accounting principles

The following amendments to IFRSs are effective for an accounting period beginning after 1 January 2015.

- IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19. Adoption 1 January 2015.
- Improvements to IFRSs, 2010–2012 cycle and 2011–2013 cycle (December 2013). Adoption 1 January 2015.

These amendments had no material impact on the disclosures or amounts recognized in the Group's consolidated financial statements.

2.21 Approved standards and interpretations not yet in effect

IFRS 15 was issued May 2014 and establishes a new five step model that will apply to revenue arising from contract with customers. Under IFRS 15 revenue is recognized at the amount that reflects the consideration to which an entity expects to be entitled to in exchange for goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The group is currently

assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 leases was issued in January 2016 and applies to annual periods beginning after 1 January 2019. IFRS 16 specifies how to recognize, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Note 3. Segment information

Thinfilm's business consists of sale of products, services and development of printed memory and systems that include memory, sensing, display, and wireless communication. The CEO has determined that the Group has only one operating segment. Consequently, no additional segment information is disclosed. Reference is made to note 6 and 13 for entity-wide disclosures.

Note 4. Capital management and financial risk

4.1 Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of equity and current non-interest bearing liabilities. The Group is not subject to any externally imposed capital requirements apart from the requirements according to national laws and regulations for limited liability companies. The Group has no interest-bearing long-term debt and is not subject to loan covenants.

4.2 Financial risk factors

Thinfilm is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk

a. Market risk factors

(i) Currency risk

The Group has the major part of its operations in Sweden and in USA, since the majority of the cash is held in USD there is a currency risk related to increased value of SEK relative to USD. The company's revenue is predominantly denominated in USD and NOK. The management monitors this risk but has not initiated particular actions to reduce it.

The currency risk related to the balance sheet is mostly related to the net investment in the Swedish subsidiary. The management monitors this risk but has not initiated particular actions to reduce it.

(ii) Interest risk

Thinfilm does not have any material interest-bearing debt.

b. Credit risk

The company has some credit risks relating to receivables. The loss on receivables has historically been low. Thinfilm has issued a USD 600,000 Letter of Credit to the property owner of the Thinfilm NFC Innovation Centre in San Jose, California. Apart of that, Thinfilm has not issued guarantees or mortgages.

c. Liquidity risk

Thinfilm does not have any material interest-bearing debt and has hitherto been able to raise adequate equity. As described in section Share Capital in the Report from the Board of Directors, the Company raised USD 22 million in gross proceeds in June 2015 from several US Funds. Thinfilm raised another USD 42 million in gross proceeds from Woodford Investment Management in February 2016. Thinfilm believes that the cash held at year-end as a consequence of the capital raising activities in 2015 as well as the additional funds raised in February 2016 is sufficient to fund the operations of the Company for the rest of 2016 and into 2017.

4.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate the fair values of such items. Accounts payable and accrued liabilities with due date within 12 months have been recognized at carrying value. The fair value of financial liabilities has been estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4.4 Financial instruments

Thinfilm is not party to any transactions or financial instruments which are not recorded in the balance sheet or otherwise disclosed.

Note 5. Critical accounting estimates and judgments

The financial statements of the group have been prepared based on the going concern assumption. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions in the financial statements of the group mainly relate to share based compensation, deferred tax assets, accounting for research & development and intangible assets.

Share based compensation:

Thinfilm estimates the fair value of options at the grant date. Thinfilm has applied a Black & Scholes option pricing model when valuing the options. The option valuation is based on assumptions about share price, volatility, interest rates and duration of the options. The cost of share based remuneration is expensed over the vesting period. Such estimates are updated at the balance sheet date. Changes in this estimate will impact the expensed cost of share based remuneration in the period.

Deferred tax assets:

Deferred tax assets related to losses carried forward is recognised when it is probable that the loss carried forward may be utilised. Evaluation of probability is based on historical earnings, expected future margins and the size of the order back-log. Future events may lead to these estimates being changed. Such changes will be recognised when reliable new estimates can be made. No deferred tax assets have been recognised in the balance sheet as of December 31, 2015.

Research & development:

Research costs are expenses as incurred. Development expenditure on an individual project is recognised as an intangible asset only when Thinfilm can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, the company's intention and capability of completing the development and realize the asset, and the net future financial benefits of use or sale. Determining whether an expense meets the definition of a development cost requires judgement to be applied. Capitalised development costs as of December 31, 2015 amounted to USD 134 thousand. See note 7.

Intangible assets:

In connection with the purchase of certain assets from Kovio, Inc., in January 2014, Thinfilm acquired an IP portfolio of nine patent families. These assets are recognized in the balance sheet as intangible assets and valued at fair value less accumulated amortization and impairment losses. The book value is dependent on the successful development of the technology in the parent company and in the subsidiaries. As of December 31, 2015 intangible assets of USD 2,602 thousand are recognized in the balance sheet. See note 7.

6. Property, plant and equipment

Amounts in USD 1,000	Laboratory equipment
Useful life, years	5
2015	
Accumulated cost on 1 January 2015	6 868
Additions	4 809
Sale / disposal of assets	(299)
Exchange differences	(406)
Acquisition cost as of 31.12	10 972
Accumulated depreciation	
Accumulated depreciation on 1 January 2015	(1 998)
Depreciation expenses	(1 328)
Sale / disposal of assets	299
Exchange differences	(156)
Accumulated depreciation as of 31.12	(3 184)
Net carrying value as of 31.12	7 788
2014	
Accumulated cost on 1 January 2015	3 842
Additions	3 537
Sale / disposal of assets	-
Exchange differences	(510)
Acquisition cost as of 31.12	6 868
Accumulated depreciation	
Accumulated depreciation on 1 January 2014	(729)
Depreciation expenses	(1 097)
Sale / disposal of assets	-
Exchange differences	(172)
Accumulated depreciation as of 31.12	(1 998)
Net carrying value as of 31.12	4 870

The total of Property, plant and equipment located in Norway is 0 (2014: 0), the total located in Sweden is USD 3 214 thousand (2014: 3,656 thousand) and in the US is USD 4,575 thousand (2014: 1,247 thousands).

7. Intangible assets

Amounts in USD 1,000	Purchased intellectual property	Capitalized development costs	Total
2015			
Acquisition cost			
Accumulated cost on 1 January 2015	2 501	26	2 527
Additions	799	112	911
Sale / disposal of assets	-	-	-
Exchange differences	(466)	(3)	(469)
Accumulated costs 31 December 2015	2 835	134	2 969
Accumulated amortization on 1 January 2015	(208)	-	(208)
Amortization	(209)	-	(209)
Sale / disposal of assets (at accumulated amortization)	-	-	-
Exchange differences	49	-	49
Amortization at 31 December 2015	(368)	-	(368)
Net book value	2 467	134	2 602

Net book value 31 December 2014

2014			
Acquisition cost			
Accumulated cost on 1 January 2014			
Additions	2 969	26	2 995
Disposals (at cost)	-	-	-
Exchange differences	(468)	-	(468)
Accumulated costs 31 December 2014	2 501	26	2 527
Accumulated amortization on 1 January 2014			
Amortization	(208)	-	(208)
Disposals (at accumulated amortization)	-	-	-
Amortization at 31 December 2014	(208)	-	(208)
Net book value 31 December 2014	2 293	26	2 319

The amount of research and development expenditure recognized as an expense in 2015 amounts to USD 10,924 thousand (2014: USD 14,747 thousand).

Accounts in USD 1,000	Goodwill
At 31 December 2015	
Cost	5 082
Accumulated amortisation and impairment	(5 082)
Net book value	-
At 31 December 2014	
Cost	5 082
Accumulated amortisation and impairment	(5 082)
Net book value	-

8. Inventory

Amounts in USD 1,000	2015	2014
Finished goods	63	-
Raw materials	164	334
Work in progress	140	117
At 31. December	367	451
Amount written down	319	-

9. Trade and other receivables

Amounts in USD 1,000	31 December 2015	31 December 2014
Customer receivables	753	635
Accrued revenue not yet invoiced	990	861
Other receivables, prepayments	1 375	1 069
Less: provision for impairment of receivables	-	-
Receivables – net	3 118	2 565
Of this, receivables from related parties (note 22)	-	-

All receivables are due within one year and book value approximates fair value. Of the total amount, USD 954 thousand were denominated in NOK (2014: USD 1,597 thousand), USD 444 thousand denominated in SEK (2014: USD 594 thousand), USD 1 631 thousand denominated in USD (2014: USD 347 thousand), USD 16 thousand were denominated in JPY (2014: USD 27 thousand), USD 17 thousand were denominated in HKD (2014:0) as well USD 56 thousand were dominated in other currencies including GBP, EUR and CHF.

10. Cash and bank deposits

Amounts in USD 1,000	31 December 2015	31 December 2014
Cash in bank excluding restricted cash	15 292	30 128
Deposit for Letter of Credit	600	600
Deposit for withheld tax	48	126
Total	15 940	30 854

Payable withheld tax amounts in Norway at 31 December 2015 were USD 48 thousand (2014: USD 126 thousand).

11. Share capital & warrants

	Number of shares	Number of warrants
Shares at 1 January 2015	515 359 852	31 250 000
Share issue to employees, 27 February	5 787 500	-
Share issue board remuneration, May 29	67 852	-
Private placement US funds, June 19	34 034 653	17 017 326
Share issue to employees, 5 November	50 000	-
Share issue to employees, 12 December	75 000	-
Shares at 31 December 2015	555 374 857	48 267 326

Shares at 1 January 2014	471 625 812	-
Share issue as part of Kovio transaction, 29 January	1 041 584	-
Share issue to employees, 27 February	4 200 000	-
Share issue board remuneration, 8 May	120 254	-
Share issue to employees, 26 August	187 500	-
Share issue PARC, 26 September	334 702	-
Share issue to employees, 11 November	350 000	-
Share issue Ferd, 18 November	37 500 000	31 250 000
Shares at 31 December 2014	515 359 852	31 250 000

On June 19, Thinfilm announced a private placement in which several leading US funds subscribed for 34,034,653 shares at a share price of USD 0.6464 (NOK 5,01 per share), for a total investment of \$22 million. At completion of the private placement, the new investors held 6.1 % of the shares in the Company. Following approval of an extraordinary general meeting in Thinfilm on July 14, the investors also received 17,017,326 warrants – each with an exercise price of NOK 6.10 – which are exercisable immediately and expire in 3 years.

On 18 November 2014, Thinfilm accomplished a private placement of 37,500,000 new shares to Ferd AS at a subscription price of NOK 4.00 per share totaling NOK 150,000,000 (USD 23 million) equal to 7.3% of the shares

in the company. Ferd AS also received 31,250,000 warrants, each with an exercise price of NOK 4.80. The warrants are exercisable after a 12-month holding period, and expire in 3 years.

The annual general meeting in 2015 renewed the 10% authorization to the board to complete one or more placements by issuing up to 52,114,735 shares which at the time corresponded to 10 per cent of the company's registered share capital. Following the private placement on 19 June 2015, in which 34,034,653 shares were issued to US funds, the remaining authorization consequently amounted to 18,080,082 shares at the end of 2015. The authorization expires at the annual general meeting in May 2016.

12. Trade and other payables

Amounts in USD 1,000	31 December 2015	31 December 2014
Trade payables	1 949	1 031
Public duties, withheld taxes and social security taxes due	477	597
Share-based liability (subscription rights), employer's tax	554	1 365
Accrued holiday pay and other accrued salary	889	612
Other accrued expenses	1 301	1 145
Total	5 170	4 748
Of this, payables to related parties (note 22)	77	403

All payables and accruals are due within one year (with the exception of share-based liability, which fall due when employee subscription rights are exercised) and book value approximates fair value. Of the total amount, USD 1 720 thousand is denominated in SEK (2014: USD 2,130 thousand), USD 1 487 thousand in NOK (2014: USD 1,903 thousand), USD 1 884 thousand in USD (2014: 697 thousand), USD 31 thousand in JPY (2014: USD 16 thousand) as well as USD 48 thousand in HKD (2014: 0).

13. Sales revenue

The breakdown of the sales revenue is as follows:

Amounts in USD 1,000	2015	2014
Sales of goods	747	115
Rendering of services, technology access revenue	1 467	1 734
Total	2 214	1 849

The Group is domiciled in Norway. The sales revenue from external customers in Norway is 0 (2014: 0), and the total sales revenue from external customers from other countries is USD 2 214 thousand (2014: 1 849 thousand), out of which USD 1 259 thousand (2014: 1 586 thousand) relates from sales to customers in the United States.

The breakdown of the major components of the total of revenue from external customers from other countries is disclosed above.

Sales revenue of approximately USD 787 thousand (2014: USD 800 thousand) and USD 727 thousand (2014: 315 thousand) respectively are derived from the two largest customers respectively.

No warranty costs, penalties or other losses were related to sales revenue in 2015.

14. Other revenue

Amounts in USD 1,000	2015	2014
Government grants, funded development projects	1 791	2 140
Total	1 791	2 140

15. Government grants

In November 2012, Thinfilm ASA received NOK 6 million in funding from the European Eurostars program to develop and commercialize display logic for printed integrated systems and smart tags. The project ran until March 2015. In February 2014, Thinfilm ASA received a government grant of NOK 5.9 million from The Research Council of Norway relating to development of production methods for printed electronics. The project runs until February 1, 2017. In February 2015 Thinfilm ASA received an additional grant from The Research Council of Norway of NOK 12 million relating to enhancing durability and lifetime of Thinfilm smart tags. The project runs until April 1, 2018. In 2014 Thinfilm ASA had a project qualified for the SkatteFUNN scheme (tax credit scheme), which relates to the development of integration and assembly methods for printed smart labels. In 2015, net contribution from the Skattefunn scheme was NOK 6.6 million (2014: NOK 4.4 million).

In February 2015 Thinfilm AB received a EUR 440 thousand grant from the European Commission through the Horizon 2020 programme. The grant relates to development of printing methods for organic transistors and runs until August 31, 2018.

In August 2015 Thinfilm Inc. received a grant of USD 350 thousand relating to development of smart labels featuring Near Field Communications (NFC) capabilities. The grant runs until July 2016.

The accounting policy adopted for these grants is to recognize it as other operating revenue over the periods in which the Company recognizes as expenses the related costs for which the grant is intended to compensate. Recognized revenue from government grants in 2015 was USD 1.8 million (2014: USD 2.1 million).

To receive grants from SkatteFUNN, the company has to engage in research and development activities that qualify for the SkatteFUNN programme. The costs incurred have to be reported annually to the Norwegian tax authorities. It is also required that the company reports progress and achievements to the Research Council of Norway. Similar progress reports are required in all the grants.

16. Other income

Other income amounted to USD 408 thousand in 2015 (2014: 490 thousand) and was almost entirely related to sublease income from the San Jose site. In 2014, USD 469 thousand of the USD 490 thousand other income related to income recognized in connection with the

acquisition of certain assets from Kovio Inc., which was accounted for as a "Business Combination" as described in IFRS 3. Reference is made to Note 25 in the 2014 Annual Report for further description.

17. Salaries and other payroll costs

Amounts in USD 1,000	2015	2014
Salaries	12 557	9 831
Social security costs	1 846	2 959
Share-based compensation (subscription rights), notional salary cost	1 707	1 903
Share-based compensation (subscription rights), accrued employer's tax	(643)*	(957)*
Pension contribution	646	569
Other personnel related expenses, including recruiting costs	1 612	295
Total	17 727	14 600
Average number of employees for the year	106	84

At the end of the year the Group employed 108 persons (106 FTEs), up from 95 persons (90 FTEs) at the end of 2014. The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

*Relates to remeasurement of social security costs. See note 2.17.

Compensation to senior management

Amounts in USD 1,000				
2015	Salary	Pension contribution	Bonus	Share-based remuneration
Davor Sutija, CEO	245	6	120	272
John Afzelius-Jenevall, CFO	183	6	69	105
Kai Leppänen, Chief Commercial Officer	130	6	72	88
Christer Karlsson, CTO	161	23	18	111
Henrik Sjöberg, Senior VP of Product Management	136	17	15	80
Peter Fischer, Chief Product Officer	278	4	43	72
Erwan Le Roy, Sr. VP, Product Marketing & General Manager, Sensor Platforms (from September 21, 2015)	67	2	49	9
Jennifer Ernst, Chief Strategy Officer (until December 1, 2015)	201	2	48	106
2014				
Davor Sutija, CEO	301	8	287	304
John Afzelius-Jenevall, CFO	222	8	36	124
Christer Karlsson, CTO	204	28	41	144
Henrik Sjöberg, Senior VP of Product Management	154	23	24	70
Jennifer Ernst, EVP Sales & Business Development	176	8	107	138
Peter Fischer, Chief Product Officer	204	13	39	50

The salary amount is the salary amount declared for tax purposes. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights.

Davor Sutija, Christer Karlsson, Jennifer Ernst and Peter Fischer exercised 2,500,000, 750,000, 500,000 and 150,000 subscription rights respectively in 2015. See also note 24.

Davor Sutija and Christer Karlsson exercised 1,000,000 and 750,000 subscription rights respectively in 2014.

The company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

Remuneration to the board of directors

The company has no other obligation to remunerate the board than the board remuneration as resolved by the annual general meeting. The annual general meeting

on 7 May 2015 resolved remuneration to the chairman of NOK 250 thousand and NOK 175 thousand for each board member for the period from the annual general meeting in 2014 to the annual general meeting in 2015. The board members had the option to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 120 per cent of the board remuneration, for which they paid the par value and the shares were locked up for one year. Board members Preeti Mardia and Tor Mesøy chose this option. The transaction was completed in the second quarter of 2015. The company refunds relevant out-of-pocket expenses incurred by the board members. The company has not issued any advance payments or loans to, or guarantees in favor of, any board member.

Thinfilm has accrued NOK 554 thousand for the cost of board remuneration from the annual general meeting 2015 and up to the end of 2015. Such remuneration, if any, shall be resolved by the annual general meeting 2016.

18. Other operating expenses

Amounts in USD 1,000	2015	2014
Services	5 135	6 601
Premises, supplies	7 562	5 091
Sales and marketing	2 774	2 196
Other expenses	1 466	482
Total	16 938	14 369

Thinfilm has lease agreements for premises in Oslo (Norway), Linköping (Sweden), San Jose (California, US) and Hong Kong (China). The lease amount in Oslo is NOK 420 thousand per year, with a termination clause of 3 months. The lease amount in Linköping is SEK 3 625 thousand per year adjusted by 3 per cent per year. The lease can be terminated semi-annually with 6 months' notice. The gross lease amount in San Jose is USD 1 103 thousand per year. However, a part of the San Jose site is sublet until January 24, 2017. The sublease generates an annual sublease income of USD 421 thousand. The lease in San Jose expires in February 2017 with an option to extend into 2020. The lease amount in Hong Kong is HKD 18,000 per year, with a termination clause of 1 month.

19. Income tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in USD 1,000	2015	2014
Profit (loss) before tax	(28 866)	(25 097)
Tax (tax income) calculated at domestic tax rate 27 %	(7 794)	(6 776)
Effect of other tax rate in other countries	(1)	(52)
Share based compensation	128	211
Other permanent differences	(744)	(352)
Effect of change in tax rates (27 % to 25%)	1 827	0
Carry forward tax loss used	(252)	(32)
Change in deferred tax asset not recognised on the balance sheet	6 835	7 001
Tax charge	-	-

20. Deferred income tax

Deferred income tax assets and liabilities are offset when the company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in USD 1,000	31 Dec 2014	Charged to profit/loss	Equity	31 Dec 2015
Deferred income tax asset				
Fixed and intangible assets	954	(1 339)	0	(384)
Other accruals	0	217	0	217
Tax loss carried forward outside Norway	565	(139)	(40)	387
Tax loss carried forward Norway	16 438	8 096	(3 746)	20 788
Calculated deferred tax asset 25% (27 % 2014)	17 958	6 835	(3 786)	21 007
Impairment of deferred tax asset	(17 958)	(6 835)	3 786	(21 007)
Deferred tax in the balance sheet	-	-	-	-

The Equity column includes effects of currency translation, share issue costs and forgiven debt.

The company has not recognised the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway, Sweden and the US. These tax rates are 25, 22 and 34 per cent respectively (2014: 27, 22 and 30 per cent).

21. Profit (loss) per share

Amounts in USD 1,000	2015	2014
Profit (loss) attributable to equity holders of the Company (NOK 1,000)	(29 382)	(25 049)
Average number of shares in issue	538 043 824	481 465 574
Average diluted number of shares	544 894 567	492 734 759
Profit (loss) per share, basic and diluted	(USD 0.05)	(USD 0.05)

When the period result is a loss, the loss per share shall not be calculated using the higher diluted number of shares, but rather calculated using the basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

22. Related party transactions

a) Transactions with related parties:

Amounts in USD 1,000	2015	2014
Purchases of services from law firm Ræder	419	422
Purchases of services, licences and materials from PARC	218	1 290
Purchase of services from Robert N. Keith	238	301
Purchase of services from Rita Glenne	2	-

Thinfilm's chairman, Morten Opstad, is a partner and chairman of the board of Advokatfirma Ræder DA, who is also Thinfilm's legal counsel. The amounts do not include Mr. Opstad's service as chairman. Mr. Opstad and close associates hold shares in Thinfilm.

Robert N. Keith, a shareholder of Thinfilm, entered into a consulting service agreement with effect from 1 January 2013. Mr. Keith assists Thinfilm in strategic analysis and in dealing with larger, international, prospective partners.

PARC, a shareholder of Thinfilm, entered into a development agreement with Thinfilm with effect from 28 October 2010 that has later been followed by several amendments and additional agreements. The amount relates to the license of certain PARC patents, purchase of materials and consulting services.

Glenne Invest AS, a company controlled by Thinfilm's Board Member Rita Glenne did in 2015 provide consulting services relating to government grants

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in USD 1,000	2015	2014
Purchases of services from law firm Ræder	77	183
Payable to PARC	-	220
Payable to Robert Keith	-	-
Payable to Glenne Invest AS	-	-

d) Remuneration to the auditor

Amounts in USD 1,000	2015	2014
Audit	84	70
Other assurance services	6	16
Tax services	5	8
Other services	3	6
Total	98	99

23. Contingent liabilities

Thinfilm is not party to any transactions or financial instruments which have not been recorded in the balance sheet or otherwise disclosed in these annual financial statements. Thinfilm has not issued any guarantees. Thinfilm has issued a USD 600,000 Letter of Credit to the property owner of the Thinfilm NFC Innovation Centre in San Jose, California. Apart of that, Thinfilm has not issued guarantees or mortgages.

24. Shares, warrants and subscription rights

At the end of 2015 there were 555,374,857 shares in the company, versus 515,359,852 at the end of 2014. There were 4,739 registered shareholders (2014: 2,876).

Thinfilm is not aware of any shareholder agreements between shareholders.

Top 20 registered shareholders at 31 December 2015	Shares	Percent
INVESCO PERP HIGH INCOME FUND BNY MELLON SA/NV	58 308 255	10.50%
THE BANK OF NEW YORK MELLON SA/NV BNYM SA/NV - TREATY ACCOUNT UNITED FERD AS PB 34	44 376 846	7.99%
EUROCLEAR BANK S.A./N.V. ('BA') 25% CLIENTS	40 000 000	7.20%
SIMPSON FINANCIAL LTD	30 937 498	5.57%
FOOD INTERNATIONAL LTD.	17 123 940	3.08%
SUNDVALL HOLDING AS	16 183 614	2.91%
ASAH AS	15 817 165	2.85%
MP PENSJON PK	13 000 000	2.34%
NORDNET BANK AB	12 154 321	2.19%
STATOIL PENSJON C/O JP MORGAN CHASE BANK, NA	10 765 512	1.94%
SOLON AS	9 001 467	1.62%
RUNAR FORSLAND	8 425 482	1.52%
JP MORGAN CHASE BANK, NA HANDELSBANKEN NORDIC CUSTODY	7 908 077	1.42%
AVANZA BANK AB	6 000 000	1.08%
HÅVI AS	5 906 894	1.06%
CHARLES STREET INTERNATIONAL LTD C/O MOLARD FINANCIAL MANAGEMENT	5 776 203	1.04%
MARITIM KOMPETANSE AS	5 728 174	1.03%
KLP AKSJENORGE INDEKS	5 168 315	0.93%
THE BANK OF NEW YORK MELLON SA/NV BNYM SA/NV - BNY GCM CLIENT ACCOU3	4 842 841	0.87%
	4 576 286	0.82%

Shares, warrants and subscription rights held by primary insiders and close relations at 31 December 2015

	Shares	Warrants	Incentive subscription rights
Morten Opstad, Chairman	1 557 078	-	-
Rolf Åberg, Board Member	406 501	-	-
Rita Glenne, Board Member	98 646	-	-
Tor Mesøy, Board Member	63 926	-	-
Preeti Mardia, Board Member	103 922	-	-
Davor Sutija, CEO	2 200 000	-	6 500 000
John Afzelius-Jenevall, CFO	-	-	2 150 000
Christer Karlsson, CTO	215 000	-	2 700 000
Peter Fischer, Chief Product Officer	-	-	1 450 000
Henrik Sjöberg, SVP of Product Management	-	-	1 650 000
Kai Leppänen, Chief Commercial Officer	-	-	1 700 000
Erwan Le Roy, SVP, Product Marketing & GM, Sensor Platforms	-	-	700 000
Anders Harnes, Sr. Finance & Accounting Director	-	-	450 000
Total	4 645 073	-	17 300 000

The board has granted subscription rights under subscription rights incentive programmes for the respective years.

The annual general meeting on 7 May 2015 resolved a subscription rights incentive programme for the years 2015-2020. The 2014 programme was closed. Under the 2015 programme, the board may grant up to 52,114,735 independent subscription rights to employees and to individual consultants performing similar work in Thinfilm. The number of outstanding subscription rights under all subscription rights incentive programs shall not exceed 10 per cent of the number of shares in the company at the time of the annual general meeting 2015. The exercise price shall be equal to the higher of (i) average closing share price on the ten trading days preceding

the grant date, and (ii) the last closing share price. The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant. In case of change of control, the subscription rights vest immediately. The 2015 subscription rights expire on 7 May 2020.

By 31 December 2015, the board had granted 10,880,000 subscription rights under the 2015 programme.

The fair value of the subscription rights awarded, calculated according to Black & Scholes option pricing model, was NOK 75.9 million as December 31, 2015. USD 1 713 thousand was expensed in 2015. At December 31, 2015, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 31.5 million.

Subscription rights	2015		2014	
	Weighted average exercise price	Number of subscription rights	Weighted average exercise price	Number of subscription rights
Total at 1 January	3.45	31 477 500	2.33	25 325 000
Granted	4.43	12 208 000	4.99	11 615 000
Forfeited	4.85	(1 620 000)	4.91	(725 000)
Exercised	1.07	(5 912 500)	1.17	(4 737 500)
Expired	4.54	(443 000)	-	-
Total at 31 December	4.09	35 710 000	3.45	31 477 500
Number of exercisable subscription rights at 31 December (included in total)		12 348 750		11 512 500

Holder	Number of subscription rights	Weighted average exercise price, NOK
Davor Sutija, CEO	6 500 000	3.47
John Afzelius-Jenevall, CFO	2 150 000	3.64
Christer Karlsson, CTO	2 700 000	3.48
Peter Fischer, chief product officer	1 450 000	3.75
Henrik Sjöberg, Senior VP of Product Management	1 650 000	4.01
Kai Leppänen, Chief Commercial Officer	1 700 000	4.46
Erwan Le Roy, SVP, Product Marketing & GM, Sensor Platforms	700 000	3.95
Employees and contractors	18 410 000	4.43
Anders Harnes, Sr. Director Finance & Accounting	450 000	5.13
Total	35 710 000	4.09

5,912,500 subscription rights were exercised in 2015 (2014: 4,737,500).

Value of subscription rights and assumptions upon grant	Grants in 2011	Grants in 2012	Grants in 2013	Grants in 2014	Grants in 2015
Value of subscription right at grant date, NOK per subscription right	0.51-1.17	0.75-1.13	0.99-3.01	1.23-3.19	0.85-3.51
Share price, NOK per share	0.98-1.64	1.61-1.85	2.27-6.08	4.70-6.10	3.44-7.58
Exercise price, NOK per share	1.01-1.63	1.71-1.89	2.28-6.19	4.70-6.10	3.95-7.58
Expected annual volatility	90-100%	80-90%	60-80%	46%-65%	47%-66%
Duration, years	2.0-4.7	2.0-4.5	2.0-5.0	2.0-5.0	2.0-5.0
Expected dividend	-	-	-	-	-
Risk-free interest rate, government bonds	1.7-3.0 %	1.4-1.8 %	1.3-2.2 %	1.24-2.01%	0.65-1.24%

Value of subscription rights and assumptions on 31 December 2015	Grants in 2011	Grants in 2012	Grants in 2013	Grants in 2014	Grants in 2015
Value of subscription right at 31 December 2015, NOK per subscription right	4.31-4.99	4.08-4.4	1.86-4.19	0.55-2.63	0.43-1.74
Share price, NOK per share	3.80	3.80	3.80	3.80	3.80
Exercise price, NOK per share	1.01-1.63	1.71-1.89	2.28-6.19	4.70-6.10	3.95-6.34
Expected annual volatility	90 %	80 %	60 %	60 %	60%
Duration, years	0.2-2.4	0.2-3.4	1.2-4.4	1.10-4.62	1.16-4.35
Expected dividend	-	-	-	-	-
Risk-free interest rate, government bonds	1.6-2.1%	1.4-1.7%	1.2-2.2%	1.4-1.7%	0.65-1.2%
Number of outstanding subscription rights at 31 December 2015	3 837 500	3 662 500	6 425 000	9 885 000	11 900 000

25. Statement on management remuneration policy

In 2015 Thinfilm's executive management comprised of Davor Sutija, CEO, John Afzelius-Jenevall, CFO, Christer Karlsson, CTO, Jennifer Ernst, Chief Strategy Officer (until December 1, 2015), Henrik Sjöberg, SVP of Product Management and Erwan Le Roy, Sr. VP, Product Marketing & General Manager, Sensor Platforms (from September 21, 2015).

Several of the executive management team members serve as officers and directors in the subsidiaries without additional remuneration.

The general meeting 2015 resolved guiding and binding executive remuneration policies. Thinfilm's executive remuneration policy in 2015 was a continuation of the prior year's policy, including share-based remuneration in the form of a subscription rights incentive program as resolved at the annual general meeting, latest on 7 May 2015.

Guiding executive remuneration policy

Thinfilm offers a competitive remuneration consisting of a reasonable base salary with a pension contribution, which may be supplemented by motivating performance-based cash bonus or commission payments. There is no post-employment remuneration beyond notice periods of 3-6 months. In case the company gives notice, Davor Sutija may be eligible for salary for 3 months after the end of the notice period.

Implementation and effect of the policies

The actual remuneration to the management in 2015 is reported in notes 17 and 24. Based on achievement of stated targets in the period January 2015-December

2015, Mr. Sutija can achieve a cash bonus of 125 per cent of base salary. The bonus includes an operational component that can reach up to 75 per cent of base annual salary as well as a fundraising component. The latter is determined as 0.5 per cent of funds raised in the period, though capped at 50 per cent of base annual salary. Mr. Afzelius-Jenevall can achieve a cash bonus of maximum 35 per cent of base salary based on achievement of stated targets in the period April 2015-March 2016. Mr. Fischer, Mr. Karlsson, Mr. Sjöberg and Mr. Le Roy can achieve cash bonuses of maximum 10, 25, 25 and 30 per cent respectively. Mr. Leppänen receives commission on revenue recognized on certain projects and product orders. The commission ranges from 3 to 8 per cent on the revenue recognized from the relevant projects. In addition, the management team, apart from the CEO, may receive additional discretionary bonus payments tied to specific projects. As an example, a cash bonus related to the acquisition in 2014 of certain assets from Kivio Inc., ranging from NOK 60 – 150 thousand per person, was paid to the five management team members at the time. The principles described above apply also in 2016, however individual bonus targets and salary levels will be revisited during the Company's ordinary salary process during March and April. The CEO's maximum attainable bonus in 2016 is 125 per cent of base salary, currently NOK 2.4 million.

For 2015, the Board has decided to grant subscription rights to the management team as a form of performance based compensation. The options were granted on November 5, 2015 at the exercise price of NOK 3.95 per share. In addition, Kai Leppänen received 500,000 subscription of the total amount granted on May 7, 2015 at the exercise price of NOK 6.34 per share. The options vest in tranches of 25 per cent each year if the employee has not resigned his position at the vesting date, and expire after five years.

The Company has in 2015 granted the management team the following subscription rights:

Davor Sutija, CEO	1 250 000
John Afzelius-Jenevall, CFO	500 000
Kai Leppänen, Chief Commercial Officer	1 000 000
Christer Karlsson, CTO	500 000
Henrik Sjöberg, Senior VP of Product Management	500 000
Peter Fischer, Chief Product Officer	500 000
Erwan Le Roy, Sr. VP, Product Marketing (from September 21, 2015)	700 000
Jennifer Ernst, Chief Strategy Officer (until December 1, 2015)	0

Salary, pension and any bonuses that triggers employer's tax which will be expensed simultaneously with the remuneration.



A principal engineer works with a laser ablation system to perform customized processing steps on our printed electronic devices.

26. Events after the balance sheet date

Since 31 December 2015 and until the date of these financial statements, the board has granted a total of 735,000 subscription rights under the subscription rights-based incentive program resolved by the annual general meeting 2015. The exercise price of the subscription rights is NOK 3.56 per share.

NOK 3.00 per share totalling NOK 360,000,000 (USD 42 million). Woodford will also receive 40,000,000 warrants, each with an exercise price of NOK 4.50. The warrants are exercisable after a 12-month holding period, and expire in two years.

On February 19, 2016 Woodford Investment Management acquired 120,000,000 new shares in Thinfilmin a private placement at a subscription price of

Between 31 December 2015 and the presentation of this report, no events with any substantial impact on the result for 2015 or the value of Thinfilm's assets and liabilities at the end of 2015 have occurred.

27. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Country of incorporation and operation	Proportion of ownership interest and voting power held by the group	
			31. December 2015	31. December 2014
Thin Film Electronics Inc.	Research & Development, Manufacturing and Marketing services	USA	100 %	100 %
Thin Film Electronics AB	Research & Development, Manufacturing and Marketing services	Sweden	100 %	100 %
Thin Film Electronics KK	Marketing services	Japan	100 %	100 %
Thin Film Electronics HK Ltd.	Supply chain services	Hong Kong	100 %	100 %



Employees at the
Linköping office
gather for an
informal discussion.



Thin Film Electronics ASA

(Separate financial statements of the parent company)

Annual Financial Statements 2015

Profit and loss statements

Amounts in NOK 1,000	Note	2015	2014
Sales revenue	11	17 849	11 798
Other revenue	12, 13	5 432	9 036
Other income	14	1 104	396
Total revenue		24 386	21 230
Employee salaries and benefits	15	(23 978)	(22 437)
Services (external)		(23 801)	(32 474)
Services (from subsidiaries)	18	(237 085)	(127 405)
Other operating expenses	19	(13 156)	(10 737)
Contribution from Skattefunn scheme	13	6 600	4 400
Amortization intangible assets & negative goodwill	7	(1 099)	(744)
Operating profit (loss)		(268 132)	(168 167)
Interest income		1 304	3 660
Other financial income		27 076	3 600
Other financial costs		(3 658)	(2 750)
Net financial items		24 722	4 511
Profit (loss) before income tax		(243 410)	(163 656)
Income tax expense	16	-	-
Profit (loss) for the year		(243 410)	(163 656)
Allocation/coverage of net result for the year			
Uncovered losses carried forward		(243 410)	(163 656)
Total allocated	4	(243 410)	(163 656)

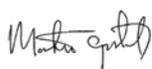
The notes on pages 55 to 65 are an integral part of these annual financial statements.

Balance sheets

Amounts in NOK 1,000	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Intangible assets	7	20 880	14 710
Investment in subsidiaries	6	36 918	28 425
Total non-current assets		57 798	43 135
Current assets			
Trade and other receivables	8	68 387	23 941
Cash and bank deposits	9	105 830	217 653
Total current assets		174 217	241 594
Total assets		232 015	284 730
EQUITY			
Ordinary shares	10, 21	61 091	56 690
Other paid-in equity		751 178	577 972
Total paid-in equity		812 269	634 661
Retained profit/uncovered losses		(614 919)	(371 509)
Total equity	4	197 351	263 154
LIABILITIES			
Current liabilities			
Accounts payable		2 446	9 770
Withheld tax and public duties payable		797	748
Debt to group companies	6, 18	24 699	7 420
Other payables and accruals		6 723	3 639
Total liabilities	20	34 664	21 576
Total equity and liabilities		232 015	284 730

The notes on pages 55 to 65 are an integral part of these annual financial statements.

The board of directors of Thin Film Electronics ASA. Oslo, Norway 12 April 2016.



Morten Opstad
Chairman



Rita Glenne
Board Member



Preeti Mardia
Board Member



Tor Mesøy
Board Member



Rolf Åberg
Board Member



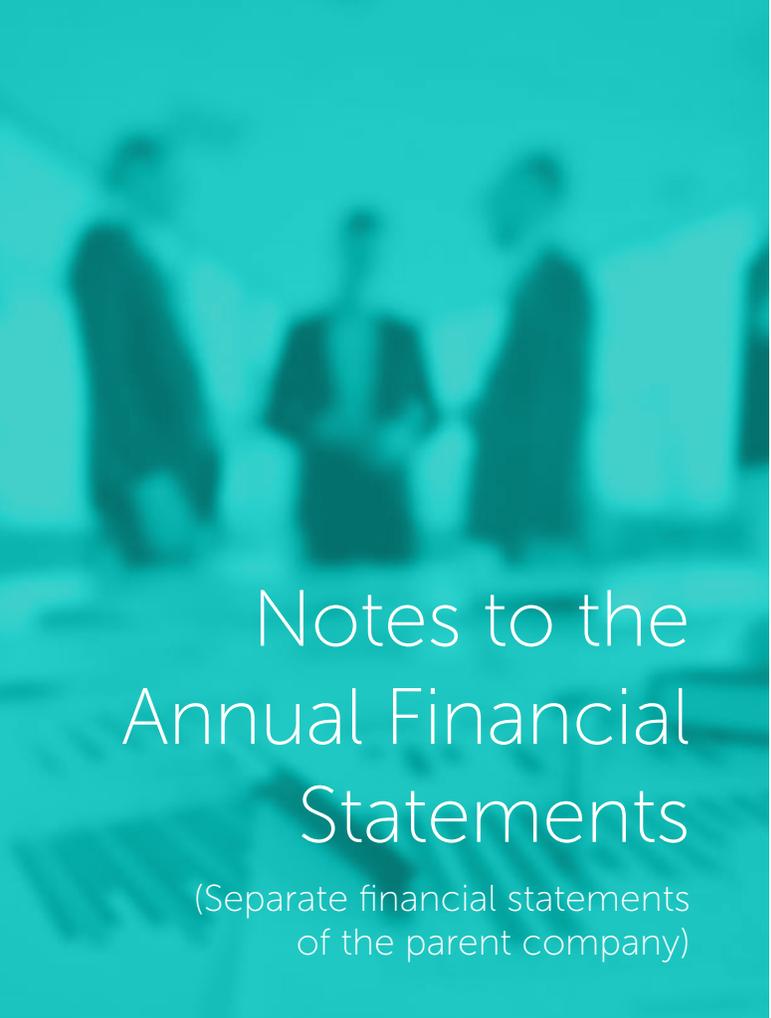
Davor Sutija
CEO

Cash flow statements

Amounts in NOK 1,000	Note	2015	2014
Cash flows from operating activities			
Profit (loss) before income tax		(243 410)	(163 656)
Share-based compensation (equity part)	15, 21	5 719	5 619
Amortization and impairment (reversal)	7	1 099	744
Change in working capital and other items		(31 428)	(28 271)
Net cash from operating activities		(268 020)	(185 564)
Cash flows from investing activities			
Paid-in capital (Subsidiary)	6	-	-
Purchased intangible assets	7	(6 366)	-
Acquisition of business activity		-	(9 284)
Capitalized development expenses	7	(902)	-
Net cash from investing activities		(7 269)	(9 284)
Cash flows from financing activities			
Proceeds from issuance of shares	10	163 466	149 500
Net cash from financing activities		163 466	149 500
Net change in cash and bank deposits		(111 822)	(45 348)
Cash and bank deposits at the beginning of the year		217 653	263 001
Cash and bank deposits at the end of the year	9	105 830	217 653

The company had no bank draft facilities at the end of 2015 or 2014.

The notes on pages 55 to 65 are an integral part of these annual financial statements.



Notes to the Annual Financial Statements

(Separate financial statements of the parent company)

1. Information about the company

Thin Film Electronics ASA ("Thinfilm ASA") is the parent company in the Thin Film Electronics group ("Thinfilm"). The group consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics Inc. ("Thinfilm Inc."), Thin Film Electronics KK ("Thinfilm KK") and Thin Film Electronics HK ("Thinfilm HK"). The group was formed on 15 February 2006 when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo").

Thinfilm ASA was established on 22 December 2005. The accounting year corresponds to the calendar year. The purpose of Thinfilm ASA is research, development, production and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo,

Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015.

These annual financial statements for the parent company were resolved by the company's board of directors on 12 April 2016.

2. Accounting policies

These annual financial statements have been prepared in accordance with the Norwegian accounting act 1998 and generally accepted accounting principles in Norway. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been applied consistently. The financial statements have been prepared using the historical cost convention.

Principal criteria for valuation and classification of assets and liabilities

Assets for lasting ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables which are due within twelve months have been classified as current assets. Corresponding criteria have been applied when classifying short-term and long-term debt.

Current assets have been valued at the lower of cost and fair value. Other long-term debt and short-term debt have been valued at face value.

Assets and liabilities denominated in foreign currency

Monetary items in foreign currency have been converted at the exchange rate on the balance sheet date.

Shares in subsidiaries

Investment in subsidiaries has been valued at cost in the parent company. In case of impairment which is not temporary, the investment has been written down to fair value if mandated according to GAAP.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Thinfilm ASA recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods

The Group manufactures and sells fully printed rewritable memories and printed integrated systems in the form of products delivered to customers, prototype development projects, engineering samples and technology demonstration kits to strategic customers and partners. Sales of goods are recognized when the risks and rewards of ownership are transferred to the customer, the costs incurred or to be incurred in respect of the transaction can be measured reliably and The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Rendering of services

The Group provides engineering and support services to strategic customers and partners. Revenue from services provided at an hourly rate is recognized when, or in the same period as, the group has provided the services. Revenue from services related to achieving certain milestones are recognized when the milestone is met, given that the stage of completion as well as the the costs incurred at the balance sheet date can be measured reliably. The revenue is recognized when the costs incurred in respect of the transaction can be measured reliably.

(c) Technology access revenue

The Group grants technology access rights to strategic customers and partners, i.e., the right to work with Thinfilm and its technology to develop bespoke printed products and systems. Revenue from granting technology access rights is generally recognized on a straight-line basis over the period or contract term the technology access is granted, however, with the exception of revenue from technology access agreements that involve a lump-sum payment (without termination rights) which is recognized at the time the agreement is entered into.

Government grants

Grants from the government are recognized at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the company has complied with all attached conditions. Grants received where the company has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to profit or loss when all attached conditions have been complied with. Similarly, awarded grants yet not received, but where the group has complied with all attached conditions, are recognized in profit or loss with its offset in trade and other receivables. Government grants are recognized in profit or loss by two different principles: (i) Grants which are related to specific development programs with commercial end-objectives are recognized as other operating revenue over the periods in which the

related costs are accrued (for which the contributions are intended to compensate) and (ii) Grants or other contributions in the form of tax credit are credited against costs.

Intangible assets

Reference is made to Note 2.6 in the Consolidated Financial Statements.

Receivables

Accounts receivable and other receivables have been recorded at face value after accruals for expected losses have been deducted. Accruals for losses have been made based on an individual assessment of each receivable.

Cash and bank deposits

Cash and bank deposits include cash, bank deposits and cash equivalents with a due date less than three months from acquisition.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

Costs

Costs are normally recognized in the period of corresponding revenue. In situations where there are no clear connection between costs and revenue, the costs are allocated on a judgmental basis. Costs without corresponding revenue are recognized when they accrue.

Share based remuneration

The company may issue independent subscription rights to employees and individual consultants performing similar work and accounts for these transactions under the provisions of NRS 15A and generally accepted accounting principles in Norway. Two types of expenses are recognized related to grant of subscription rights: (i) Notional cost of subscription rights is recognized at time of grant and calculated based on the Black-Scholes model (share price at time of grant, exercise price, expected volatility, duration and risk-free interest rate). The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant, i.e., each tranche has different duration. The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. (ii) Employer's tax expense is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs.

When the parent has an obligation to settle the share-based payment transaction with the subsidiaries' employees by providing the parent's own equity

instruments, this is accounted for as an increase in equity and a corresponding increase in investment in subsidiaries.

Tax on profit

Tax cost has been matched to the reported result before tax. Tax related to equity transactions has been charged to equity. The tax cost consists of payable tax (tax on the directly taxable income for the year) and change in net deferred tax. The tax cost is split into tax on ordinary result and result from extraordinary items according to the tax base. Net deferred tax benefit is held in the balance sheet only if future benefit can be justified.

Consolidated items

Insignificant items have been combined or included in similar items in order to simplify the statements. Lines which are zero or about zero have been omitted except where it has been deemed necessary to emphasize that the item is zero.

Estimates and judgmental assessments

The preparation of the annual accounts in accordance with the generally accepted accounting principles requires that the management make estimates and assumptions that affect the income statement and the valuation of assets and liabilities. Estimates and related assumptions have been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Estimates and underlying assumptions are subject to continuous evaluation.

3. Significant events last two years, going concern, events after the balance sheet date, financial risk

2015

On June 19, Thinfilm announced a private placement in which several leading US funds subscribed for 34,034,653 shares at a share price of USD 0.6464 (NOK 5,01 per share), for a total investment of \$22 million. At completion of the private placement, the new investors held 6.1 % of the shares in the Company. Following approval of an extraordinary general meeting in Thinfilm on July 14, the investors also received 17,017,326 warrants – each with an exercise price of NOK 6.10 – which are exercisable immediately and expire in 3 years.

2014

On 18 November 2014, Thinfilm accomplished a private placement of 37,500,000 new shares to Ferd AS at a subscription price of NOK 4.00 per share totaling NOK 150,000,000 (USD 23 million) equal to 7.3% of the shares in the company. Ferd AS also received 31,250,000 warrants, each with an exercise price of NOK 4.80. The warrants are exercisable after a 12-month holding period, and expire in 3 years.

On 21 January 2014, Thinfilm entered into an agreement to acquire assets and intellectual property rights from Kovio Inc. The purchase price amounted to USD 2.7 million in cash and USD 1.0 million in shares, both of which have been settled in full. See note 25 in the Consolidated Annual Financial Statements in the 2014 Annual Report.

Going concern

In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the prerequisites for the going concern assumption exist and that the financial statements have been prepared based on the going concern principle. Please also refer to section "Going concern and events in 2015" on page 21.

Events after balance sheet date

On February 19, 2016 Woodford Investment Management acquired 120,000,000 new shares in Thinfilmin a private placement at a subscription price of NOK 3.00 per share totalling NOK 360,000,000 (USD 42 million). Woodford will also receive 40,000,000 warrants, each with an exercise price of NOK 4.50. The warrants are exercisable after a 12-month holding period, and expire in two years.

Since 31 December 2015 and until the date of these financial statements, the board has granted a total of 735,000 subscription rights under the subscription rights-based incentive program resolved by the annual general meeting 2015. The exercise price of the subscription rights is NOK 3.56 per share.

Between 31 December 2015 and the presentation of this report, no events with any substantial impact on the result for 2015 or the value of Thinfilm's assets and liabilities at the end of 2015 have occurred.

Financial risk factors

Reference is made to Note 4.2 in the Consolidated Financial Statements.

4. Equity

Consolidated statements of changes in equity

Amounts in NOK 1,000	Share capital	Other paid-in equity	Uncovered loss	Total
Equity at 1 January 2015	56 690	577 972	(371 509)	263 154
Share issue employees	650	5 688		6 337
Share based compensation		14 143		14 143
Share issue board remuneration, May 29	7			7
Private placement US funds, June 18	3 744	153 376		157 120
Net profit (loss) for the year			(243 410)	(243 410)
Balance at 31 December 2015	61 091	751 178	(614 919)	197 351
Equity at 1 January 2014	51 878	413 829	(207 852)	257 855
Share issue employees	521	5 001		5 522
Share based compensation		11 782		11 782
Share issue Kivio-transaction, 29 January	115	6 025		6 139
Share issue 8 May, board remuneration	13			13
Share issue PARC, 26 September	37	1 475		1 512
Share issue Ferd, November 14	4 125	139 860		143 985
Net profit (loss) for the year			(163 656)	(163 656)
Balance at 31 December 2014	56 690	577 972	(371 509)	263 154

5. Property, plant and equipment

Current facilities are rented with furniture included. Minor computing and communications equipment has been expensed.

6. Investment in subsidiaries

The shares are held at the lower of cost and fair value in the balance sheet.

Amounts in NOK 1,000	Per cent holding	Per cent of votes	Book value
Thin Film Electronics AB, Linköping, Sweden			
At 31 December 2015	100%	100%	
Accumulated cost			32 211
Accumulated impairment charge			(21 944)
Net book value at 31 December 2015			10 267
At 31 December 2014	100%	100%	
Accumulated cost			27 036
Accumulated impairment charge			(21 944)
Net book value at 31 December 2014			5 091

The local currency of Thin Film Electronics AB is SEK. The net income in SEK in 2015 was SEK 6,263 thousand, while the total equity 31 December 2015 was SEK 17,992 thousand.

Thin Film Electronics Inc., CA, USA

At 31 December 2015	100%	100%	
Accumulated cost			27 457
Accumulated impairment charge			(1 203)
Net book value at 31 December 2015			26 253

At 31 December 2014	100%	100%	
Accumulated cost			24 209
Accumulated impairment charge			(1 203)
Net book value at 31 December 2014			23 005

The local currency of Thin Film Electronics Inc. is USD. The net income in USD in 2015 was USD 544 thousand, while the total equity 31 December 2015 was USD 4,264 thousand.

Thin Film Electronics KK, Tokyo, Japan

At 31 December 2015	100%	100%	
Accumulated cost			387
Accumulated impairment charge			-
Net book value at 31 December 2015			387

At 31 December 2014	100%	100%	
Accumulated cost			328
Accumulated impairment charge			-
Net book value at 31 December 2014			328

The local currency of Thin Film Electronics KK is JPY. The net income in JPY in 2015 was JPY 894 thousand, while the total equity 31 December 2015 was JPY 6,626 thousand.

Thin Film Electronics HK, Hong Kong

At 31 December 2015	100%	100%	
Accumulated cost			11
Accumulated impairment charge			-
Net book value at 31 December 2015			11

The local currency of Thin Film Electronics HK is HKD. The net income in HKD in 2015 was HKD 40 thousand while the total equity 31 December 2015 was HKD 50 thousand.

Thinfilm ASA has issued a USD 600,000 Letter of Credit to the property owner of the Thinfilm NFC Innovation Centre in San Jose, California. Apart of that, Thinfilm ASA has not issued any guarantees, secured any debt or similar on behalf of any subsidiaries.

7. Intangible assets

Amounts in NOK 1,000	Purchased intellectual property	Negative goodwill	Capitalized development costs	Total
Acquisition cost				
Accumulated cost on 1 January 2015	18 379	(2 925)		15 454
Additions	6 366		902	7 269
Disposals (at cost)				-
Accumulated costs 31 December 2015	24 745	(2 925)	902	22 723
Amortization				
Accumulated amortization on 1 January 2015	(1 329)	585		(744)
Amortization	(1 684)	585		(1 099)
Disposals (at accumulated amortization)				-
Amortization at 31 December 2015	(3 013)	1 170	-	(1 843)
Net book value 31 December 2015	21 732	(1 755)	902	20 880
Acquisition cost				
Accumulated cost on 1 January 2014				
Additions	18 379	(2 925)		15 454
Disposals (at cost)	-	-		-
Accumulated costs 31 December 2014	18 379	(2 925)		15 454
Amortization				
Accumulated amortization on 1 January 2014	-			-
Amortization	(1 329)	585		(744)
Disposals (at accumulated amortization)	-			-
Amortization at 31 December 2014	(1 329)	585		(744)
Net book value 31 December 2014	17 050	(2 340)		14 710

The purchased intellectual property recorded in 2015 relates to licensing of certain patents. Capitalized development expenses in 2015 relates to Thinfilm Memory™ and EAS (Electronic article surveillance)

The purchased intellectual property recorded in 2014 relates entirely to the acquisition of certain assets from Kovio Inc. On 21 January 2014, Thinfilm acquired certain assets, contracts and processes from Kovio Inc., a company active in the field of radio frequency enabled products based on printed silicon technology. The difference between total consideration transferred and estimated fair value of assets amount to NOK 2,925 thousand. This constitutes a bargain purchase and the negative goodwill of NOK 2,925 will be amortized on a systematic basis over five years as a credit against cost. In 2015, NOK 585 thousand is credited against cost and the residual NOK 1,755 thousand is classified as Negative Goodwill in the balance sheet. Reference is made to Note 25 in Consolidated Financial Statements in the 2014 Annual Report for further description.

Thin Film Electronics ASA estimates that the present value of future cash flows will exceed the amount of capitalized development expenses.

8. Trade and other receivables

Amounts in NOK 1,000	31 December 2015	31 December 2014
Customer receivables	6 638	4 720
Accrued revenue not yet invoiced	6 607	1 203
Other receivables, prepayments	55 142	18 018
Less: provision for impairment of receivables	-	-
Receivables – net	68 387	23 941
Of this, receivables from Thinfilm AB	15 861	12 003
Of this, receivables from Thinfilm Inc. & Holding	36 895	67
Of this, receivables from Thinfilm HK	400	-
Of this, receivables from Thinfilm KK	192	-

All receivables are due within one year and book value approximates fair value. The total amount is denominated in NOK (2014: total amount denominated in NOK).

9. Cash and bank deposits

Amounts in NOK 1,000	31 December 2015	31 December 2014
Bank deposits excluding restricted cash	100 126	212 284
Deposit for Letter of Credit	5 279	4 432
Deposit for withheld tax	425	937
Total	105 830	217 653

Thin Film Electronics ASA issued a Letter of Credit to the landlord of the leased San Jose facility in conjunction with the acquisition of certain assets from Kovio Inc. in January 2014.

Payable withheld tax amounts at 31 December 2015 were NOK 425 thousand (2014: NOK 937 thousand).

10. Share capital

Reference is made to Note 11 in the Consolidated Financial Statements.

11. Sales revenue

Amounts in NOK 1,000	2015	2014
Sales of goods	6 025	735
Rendering of services, delivery of samples, technology access revenue	11 824	11 064
Total	17 849	11 798

No warranty costs, penalties or other losses were related to sales revenue in 2015.

12. Other revenue

Amounts in NOK 1,000	2015	2014
Government grants, funded development projects	5 432	9 036
Total	5 432	9 036

13. Government grants

In November 2012, Thinfilm ASA received NOK 6 million in funding from the European Eurostars program to develop and commercialize display logic for printed integrated systems and smart tags. The project ran until March 2015. In February 2014, Thinfilm ASA received a government grant of NOK 5.9 million from The Research Council of Norway relating to development of production methods for printed electronics. The project runs until February 1, 2017. In February 2015 Thinfilm ASA received an additional grant from The Research Council of Norway of NOK 12 million relating to enhancing durability and lifetime of Thinfilm smart tags. The project runs until April 1, 2018.

The accounting policy adopted for these grants is to recognize it as other operating revenue over the periods in which the Company recognizes as expenses the related costs for which the grant is intended to compensate.

In 2014 Thinfilm ASA had a project qualified for the SkatteFUNN scheme (tax credit scheme), which relates to the development of integration and assembly methods for printed smart labels. The project runs until December 31, 2016. In 2015, net contribution from the Skattefunn scheme was NOK 6.6 million (2014: NOK 4.4 million). The project runs until December 2016. The accounting policy adopted for this grant is to credit the net contribution of NOK 6.6 million against cost on a systematic basis over 2015.

To receive grants from SkatteFUNN, the company has to engage in research and development activities that qualify for the SkatteFUNN programme. The costs incurred have to be reported annually to the Norwegian tax authorities. It is also required that the company reports progress and achievements to the Research Council of Norway. Similar progress reports are required in all the grants.

14. Other income

Other income relates in full to sale of services to Thin Film Electronics AB.

15. Employee salaries and other benefits

Amounts in NOK 1,000	2015	2014
Salaries	11 156	13 622
Social security costs	4 276	2 599
Share-based compensation (subscription rights), notional salary cost	5 716	5 619
Share-based compensation (subscription rights), accrued employer's tax*	(1 888)	(626)
Pension contribution	502	271
Other personnel related expenses, including recruiting costs	4 213	952
Total	23 978	22 437
Average number of employees for the year	10	9
Number of employees 31 December	9	10

*Relates to remeasurement of social security cost. See note 2 - Share Based Remuneration

At the end of 2015 there were nine fulltime employees in the company (2014: ten fulltime employees). The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

Compensation to senior management

Amounts in NOK 1,000

	Salary	Pension contribution	Bonus	Share-based remuneration
2015				
Compensation to Davor Sutija, CEO	1 974	50	968	2 190
Compensation to John Afzelius-Jenevall, CFO	1 475	50	556	851
Compensation to Kai Leppänen, Chief Commercial Officer	1 046	49	581	714
Compensation to Peter Fischer, Chief Product Officer	2 243	30	347	583
2014				
Compensation to Davor Sutija, CEO	1 918	49	1 832	1 943
Compensation to John Afzelius-Jenevall, CFO from August 2013	1 414	49	233	789
Compensation to Peter Fischer, Chief Product Officer	1 300	83	246	319

The salary amount is the salary amount declared for tax purposes. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. Davor Sutija and Peter Fischer exercised 2,500,000 and 150,000 subscription rights respectively in 2015. Davor Sutija exercised 1,000,000 subscription rights in 2014. See also note 21.

The company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

Remuneration to the board of directors

Reference is made to Note 17 in the Consolidated Financial Statements.

16. Income tax expense

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK 1,000	2015	2014
Profit (loss) before tax	(243 410)	(163 656)
Tax (tax income) calculated at corporate tax rate	(65 721)	(44 187)
Permanent differences	-4 128	-1 437
Effect of change in tax rates (27% to 25%)	14 730	
Change in deferred tax asset not recognised on the balance sheet	55 118	45 624
Tax charge	0	0
Corporate tax rate	27%	27%

17. Deferred income tax

Deferred income tax assets and liabilities are offset when the company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in NOK 1,000	2015	2014
Deferred income tax asset Intangible asset	183	7 095
Tax loss carried forward	(184 312)	122 074
Calculated deferred tax asset	(184 129)	(129 169)
Impairment of deferred tax asset	184 129	129 169
Deferred tax asset in the balance sheet	0	0

The company has not recognised the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway with tax rate 25 % (27% 2014).

18. Related party transactions

a) Transactions with related parties:

Amounts in NOK 1,000	2015	2014
Technical development services from Thinfilm AB	79 924	61 144
Sales and marketing services from Thinfilm Inc.	147 136	63 935
Sales and marketing services from Thinfilm KK	2 595	1 838
Sales and marketing services from Thinfilm HK	1 819	-
Internal purchase of goods for resale	5 611	489
Purchases of services from law firm Ræder	2 457	2 696
Purchases of services, licences and materials from PARC	3 395	8 133
Purchase of services from Robert N. Keith	1 920	1 920

Thinfilm's chairman, Morten Opstad, is a partner and chairman of the board of Advokatfirma Ræder DA, who is also Thinfilm's legal counsel. The amounts do not include Mr. Opstad's service as chairman. Mr. Opstad and close associates hold shares in Thinfilm.

Robert N. Keith, a shareholder of Thinfilm, entered into a consulting service agreement with effect from 1 January 2013. Mr. Keith assists Thinfilm in strategic analysis and in dealing with larger, international, prospective partners.

PARC, a shareholder of Thinfilm, entered into a development agreement with Thinfilm with effect from 28 October 2010 that has later been followed by several amendments and additional agreements. The amount relates to the license of certain PARC patents, purchase of materials and consulting services.

Glenn Invest AS, a company controlled by Thinfilm's Board Member Rita Glenn did in 2015 provide consulting services relating to government grants.

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in NOK 1,000	2015	2014
Payable to Thinfilm Inc.	24 047	7 271
Payable to Thinfilm AB	-	-
Payable to Thinfilm KK.	276	149
Payable to Thinfilm HK	376	-
Payable to law firm Ræder	674	1 360
Payable to PARC	-	1 635
Payable to Robert Keith	-	-
Payable to Glenne Invest AS	-	-

19. Other operating expenses

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK 1,000	2015	2014
Premises, supplies	2 242	1 930
Sales and marketing	9 783	7 507
Other expenses	1 131	1 301
Sum	13 156	10 737

Thinfilm has a lease agreement for premises in Oslo (Norway). The lease amount in Oslo is NOK 420 thousand per year, with a termination clause of 3 months. Apart of that, Thinfilm ASA has not entered into any other lease agreements.

Remuneration to the auditor

Amounts in NOK 1,000	2015	2014
Audit	625	385
Other assurance services	46	101
Tax services	38	39
Other services	26	33
Total	736	558

20. Contingent liabilities

Reference is made to Note 23 in the Consolidated Financial Statements.

21. Shareholders, warrants and subscription rights

Reference is made to Note 24 in the Consolidated Financial Statements.

22. Statement on management remuneration policy

Reference is made to note 25 in the Consolidated Financial Statements.



Roll-to-roll
printed displays
in-process.



Corporate Social Responsibility (CSR) Statement

The Thin Film Electronics ASA Group recognizes that it has important obligations regarding 1) the treatment of its employees, 2) the conditions within its facilities, 3) its impact on the environment, and 4) the relationships it maintains with the communities in which it operates. As such, it adheres to policies related to these obligations and strives to achieve goals that engender safety, health, fairness, diversity, integrity, compliance, and sustainability.

Human Rights and Workplace Practices

Policy:

Thinfilm promotes equality and non-discrimination, fairness, and ethical behavior. The Company aims to offer a pleasant, well-equipped, and risk-free work environment. It maintains fair and balanced employment practices and complies with all applicable labor laws applicable to the countries, regions, cities and towns in which it operates. Thinfilm encourages and expects similar commitments from its customers, partners, suppliers, and other vendors with whom the Company works.

Objective:

Maintain a secure, safe, and healthy work environment for all employees of the Company. Continue to be a globally diverse company that strongly distances itself from any form of discrimination.

Thinfilm makes every reasonable effort to secure a healthy, safe, and lawful work environment, and the Company complies with all applicable laws, rules, and regulations concerning occupational health, safety, and environmental protection. The Company's policies prohibit discrimination against employees, shareholders, directors, customers, partners, suppliers, and other vendors on account of gender, race, sexual orientation, religion, disability, nationality, political opinion, and social or ethnic origin. Employees are provided with an Employee Handbook outlining corporate policy. Workplace diversity at all levels is highly encouraged and monitored. All persons shall be treated with dignity and respect and are encouraged to assist in creating a work environment free from any form of discrimination. The necessary conditions for a safe and healthy work environment shall be provided for all employees of the Company.

To ensure a safe and healthy work environment, Thin Film Electronics ASA maintains an Injury and Illness Prevention Program. The Company has also established a Work Environment Committee that periodically addresses work environment issues in a comprehensive way as a cooperative body. The group meets at least once every quarter. At Thinfilm Electronics, Inc., all employees are required to complete a safety training course within their first month of employment. In compliance with Proposition 65, Thinfilm Electronics, Inc., also informs employees of the onsite presence of any known chemical known to cause cancer or reproductive toxicity.

Thinfilm is committed to fully complying with all applicable laws regarding equal employment opportunities. Employees who believe they have been subjected to any form of unlawful discrimination may submit a complaint to their manager, any member of the management team, and/or Human Resources. The Company encourages all employees to immediately report incidents of harassment or other conduct prohibited by its anti-harassment policy so that complaints can be resolved in a fair and timely manner.

Ethics and Anti-Corruption

Policy:

It is important that Thinfilm staff members do not place themselves in situations whereby their fidelity can be undermined or in which they may be vulnerable to external pressures contrary to Thinfilm's or their own integrity. It is communicated and expected that all employees do not accept, either for themselves or on behalf of others, gifts, fees, services or other benefits which could influence the way they discharge their duties, or are intended to exert such influence by the giver.

Objective:

Systematize and further improve internal training and education as it relates to ethics and anti-corruption compliance.

Thinfilm's Ethical Guidelines are based on respect and fairness in all aspects of our business dealings. We demand and expect that our employees – at every level of the organization – adhere to applicable laws and regulations in the countries where we do business. Thinfilm has a clear stance on corruption. Employees must always comply with applicable anti-bribery laws; and each manager and employee is responsible for compliance within his or her area of authority, and must report any suspected violations to HR, corporate management, and in certain case, the local authorities.

Environment

Policy:

Thinfilm requires that all subsidiaries of the Thinfilm Group follow all current environmental laws and regulations for the jurisdictions in which they reside and operate. Thinfilm routinely evaluates the environmental impact of its production- and manufacturing-related activities, with particular emphasis on the potential risks regarding present and future operations.

Thinfilm has a pilot production facility in Linköping, Sweden and an NFC Innovation Center (with laboratories and a fab) in San Jose, CA. The work done in these clean rooms follows strict safety guidelines. A clean room suit is worn at all times by persons entering the laboratory and protective goggles are provided when required.

Objective:

Thinfilm strives to monitor waste production, such as chemicals and electronics materials, to evaluate where and how the Company can improve – such as using fewer chemicals, leveraging alternative materials, and/or maximize the usage of current materials. Thinfilm recognizes the impact that hazardous waste can have on the environment and takes every reasonable precaution to discard and recycle waste according to federal, state, and regional laws and regulations.

In the Linköping, Sweden, production facility, paper, steel/iron, aluminum, copper, tree waste, glass, batteries, electronic waste, and various forms of packaging are sent to the appropriate recycling facilities. Chemicals (except silver, which is destroyed separately) are kept in containers and sent to Tekniska Verken in Sweden for proper handling and disposal. Other laboratory waste is sent to the recycling center, IL Recycling.

In the San Jose, CA facility, strict guidelines are followed for the storage and disposal of hazardous material using a licensed Environmental Services provider. The state of California then tracks hazardous material shipments to the final disposal/ incineration site to ensure overall compliance.

Responsibility Statement

The Board and the CEO have today reviewed and approved this report of the Board of Directors as well as the annual financial statements for the Thin Film Electronics ASA Group and parent company as at 31 December 2015. The consolidated annual financial statements have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The annual financial statements for the parent company have been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The notes are an integral part of the respective financial statements. The report of the Board of Directors has

been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. We confirm that, to the best of our knowledge, the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the Board of Directors gives a true and fair view of the development, performance and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

The Board of Directors of Thin Film Electronics ASA. Oslo, NorwayCalifornia, 12 April 2016

Morten Opstad
Chairman

Rita Glenne
Board Member

Preeti Mardia
Board Member

Tor Mesøy
Board Member

Rolf Åberg
Board Member

Davor Sutija
CEO



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To the Annual Shareholders' Meeting of Thin Film Electronics ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Thin Film Electronics ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at December 31, 2015, and the profit and loss statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Registrert i Foretaksregisteret
 Medlemmer av Den norske Revisorforening
 Organisasjonsnummer: 980 211 282



Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Thin Film Electronics ASA as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Thin Film Electronics ASA as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, April 12, 2016
Deloitte AS

Mette Herdlevær
State Authorised Public Accountant (Norway)



Corporate Governance

Resolved (updated) by the Board of Directors of Thin Film Electronics ASA (the "Company") on 12 April 2016.

The Statement outlines the position of the Company in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 ("the Code"). The Code is available at www.nues.no and from Oslo Børs. In the following, the Board of Directors will address each section of the Code and explain the areas, if any, where the Company does not fully comply with the recommendations and the underlying reasons.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Company seeks to create sustained shareholder value. The Company makes every reasonable effort to comply with the letter and intent of the laws, rules and regulations in the countries and markets in which it operates. Thinfilm is not aware of being or having been in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in the business. In addition to the shareholders, the Company considers its employees, Thinfilm's business partners, the society in general and the authorities as stakeholders. Thinfilm is committed to maintaining a high standard of corporate governance, being a good corporate citizen and demonstrating integrity and high ethical standards in all its business dealings.

The Board believes that in the present organization – the Thinfilm group presently has approximately 103 ordinary employees and a few consultants on site – the Board of Directors and the management have adequate monitoring and control systems in place to ensure insight into and control over the activities. (Note: In this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted.)

The Board has resolved ethical guidelines that apply to all employees, consultants and contractors as well as the elected Board Members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility.

2. THINFILM'S BUSINESS

In Section 2 of the Company's Articles of Association, the Company's business is defined as "The objectives of the Company shall be the commercialization, research, development and production of technology and products related to printed electronics components and smart systems. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners."

The Company's business goals and principal strategies are defined in the business plans adopted by the Board of Directors. The plans are reviewed and revised periodically, and when needed.

Thinfilm satisfies the recommendations under this section of the Code by publishing the material at www.thinfilm.no instead of in the annual report.

3. EQUITY AND DIVIDENDS

The Board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act (the "PLCA"). In the past, the Company has been in need of raising equity on several occasions to fund its working capital requirements. The Board has proposed to the general meeting only reasonable authorizations for share issues and incentive schemes. Such Board authorizations have explicitly stated the type and purposes of transactions in which the authorizations may be applied. As of the general meeting(s) to be held in 2016, any proposed authorizations to issue shares shall be considered and voted separately by each type and purpose of such share issues. The Board authorizations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

The Company has in place an authorization to the Board to acquire up to 10% of the Company's own shares for a maximum price of NOK 1,000 per share. The Board was authorized to decide upon the manner and terms of the acquisition, disposition, transfer and sale of own shares. The length of the authorization is limited to the earlier of (i) the next annual general meeting of shareholders (scheduled for 12 May 2016) or (ii) 30 June 2016.

Thinfilm has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. Thinfilm intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company places great emphasis on ensuring equal treatment of its shareholders. The Company has one class of shares. There are no trading restrictions or limitations relating only to non-residents of Norway under the Articles of Association of the Company. Each share carries one vote. There are no restrictions on voting rights of the shares.

In the authorizations to issue shares to raise additional capital for the Company, where the existing shareholders have resolved to waive the pre-emptive right to subscribe for shares, the rationale for doing so shall be presented as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related party transactions in effect are entered into on arm's length basis. Any material future related party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant. Members of the Board and the management are obliged to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

5. FREELY NEGOTIABLE SHARES

All shares are freely assignable. The Articles of Association do not contain any restrictions on negotiability on the shares.

6. GENERAL MEETINGS

The annual general meeting of shareholders, the Company's highest decision-making body, provides a forum for shareholders to raise issues with the Board as such and with the individual Board Members. To the maximum degree possible, all members of the Board shall be present at the general meeting. The Company's auditors shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The Board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and documents in English. When appropriate, the documents will be made available on the Company's web site and not sent to the shareholders.

The Board of Directors endeavors to provide comprehensive information in relation to each agenda item in order to facilitate productive discussions and informed resolutions at the meeting. The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in favor or against each of the Board's proposals. The notice shall contain a proxy form as well as information of the procedure for proxy representation. At the meeting, votes shall be cast separately on each subject and for each office/candidate in the elections. Consequently, the proxy form shall to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in the elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

The general meeting has included in Section 7 of the Company's Articles of Association that documents which have been made available in a timely manner on the web site of the Company and which deal with matters that are to be handled at the general meeting, need not be sent to the Company's shareholders.

All reports will be issued on the Oslo Børs marketplace (www.oslobors.no and www.newsweb.no) within the Oslo Stock Exchange, and on the OTCQX International Marketplace (www.otcmarkets.com/marketplaces/otcqx). The reports and other pertinent information are also available at www.thinfilm.no.

7. NOMINATION COMMITTEE

Under the Articles of Association, Thinfilm has a nomination committee that is elected by the annual general meeting for a term of two years. The nomination committee shall have three members, including a Chairman. The nomination committee shall prepare and present proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the Board of Directors
- Propose the remuneration to be paid to the Board Members
- Propose candidates for election to the nomination committee
- Propose the remuneration to be paid to the nomination committee members

The mandate of the nomination committee shall be resolved by the annual general meeting.

The Company provides information on its website about the composition of the nomination committee and any deadlines for submitting proposals to the committee.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

Thinfilm does not have a corporate assembly.

The Board acknowledges the Code's recommendation that the majority of the members of the Board of Directors shall be independent of the Company's management and material business contacts. All Board Members are required to make decisions objectively in the best interest of the Company, and the presence of independent directors is intended to ensure that additional independent advice and judgement is brought to bear. The current Board meets the independence criteria of the Code. The Board meets the statutory gender requirements for the Board. The Board's attendance statistics are included in the presentation of the Board Members in the annual report.

Board Members stand for election every two years. The Board believes that it is beneficial for the Company and its shareholders that the Board Members also be shareholders in the Company and encourages the members of the Board of Directors to hold shares in the Company.

The Board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties, which the Board and the management owe the Company and all shareholders.

As and when appropriate, the Board takes independent advice in respect of its procedures, corporate governance and other compliance matters.

9. THE WORK OF THE BOARD OF DIRECTORS

The division of duties and responsibility between the CEO and the Board of Directors is based on applicable laws and well-established practices, which have been formalized in writing through a Board instruction in accordance with the Norwegian Public Limited Companies Act. The Board instruction also sets out the number of scheduled Board meetings per year and the various routines in connection with the Board's work and meetings.

The Board instructions state that in situations when the Chairman is not impartial or not operative, the longest serving Board Member present shall chair the Board until a deputy Chairman has been elected by and among the Board Members present.

The Board of Directors shall evaluate its performance and expertise annually. Moreover, the Board will produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

With a compact Board of only five members, there has not been any need for subcommittees to date. The future need for any sub-committees will be considered minimum annually in connection with the annual review of the Company's corporate governance.

Thinfilm is not obliged to have a separate audit committee and in view of the small number of Board Members, the Company's Audit Committee consists of all board members who are not also executives or have similar roles in the Company. The Board instruction includes an instruction for the audit committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has adopted internal rules and guidelines regarding, amongst other things, risk management and internal control, which rules and guidelines take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including the corporate social responsibility. The Board of Directors shall carry out

an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

In view of the size of the Company and the number of Board Members, the Board has chosen to elect the full Board (except any Board Members who hold executive positions) to constitute the audit committee. The audit committee policies and activities are compliant with the Norwegian public limited companies act.

The Board of Directors has adopted an insider manual with ancillary documents intended to ensure that, among other things, trading in the Company's shares by Board Members, executives and/or employees, including close relations to the aforementioned, are conducted in accordance with applicable laws and regulations.

Internal control and risk management of financial reporting

Thinfilm publishes four interim financial statements in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies, and be published according to the schedule adopted by the Board. Closing of accounts, financial reporting and key risks analysis are provided monthly to the Board of Directors. These monthly reports also include financials per legal entity (Thinfilm ASA, Thinfilm AB, Thinfilm Inc., Thinfilm HK and Thinfilm KK) which are analyzed and addressed against set budgets.

Thinfilm has established a series of risk assessment and control measures in connection with the preparation of financial statements. Specific reporting instructions are drawn up on a regular basis and communicated to the subsidiaries. In connection with subsidiaries' closing of accounts, internal review meetings are held to ensure compliance with the governing reporting instructions. In addition, separate meetings are held to identify risk factors and measures linked to important accounting items or other factors. The Board also has separate meetings with the external auditor to review such risk factors and measures, and conducts preparatory reviews of interim financial statements and annual financial statements that particularly focus on reporting of operational costs and investments.

A financial manual, which sets out policies and procedures for financial management and reporting in the group, was prepared and resolved by the Board of Directors in connection with the listing of Thinfilm's shares at Oslo Axess. This manual provides detailed instructions for financial planning, treasury, accounting and reporting, and is reviewed and updated annually by the Board.

11. REMUNERATION TO THE BOARD OF DIRECTORS

A reasonable cash remuneration to the Board Members for their services from the annual general meeting in 2014 until the annual general meeting in 2015 was proposed to and resolved at the 2015 annual general meeting. To lessen the cash outflow, the annual general meeting granted an option to the Board Members to receive all or part of the remuneration in kind in the form of shares in the Company. Two of five Board Members took up this option in 2015. These Board members have pledged to not sell the shares before the earliest of the annual general meeting of the Company in 2016 and 30 June 2016. The nomination committee will propose Board remuneration for the period between the annual general meetings of 2015 and 2016.

Advokatfirma Ræder DA, in which the Chairman, Morten Opstad, is a partner, renders legal services to the Company. A Board Member performing work for the Company beyond the Board duty shall ensure that such arrangements do not in any way affect or interfere with proper performance of the fiduciary duties as a Board Member. Moreover, the Board (without the participation of the interested member) shall approve the terms and conditions of such arrangements. Adequate details shall be disclosed in Thinfilm's annual financial statements.

12. REMUNERATION OF THE MANAGEMENT

Thinfilm offers market-based compensation packages for the executives and employees in order to attract and retain the competence that the Company needs. The exercise price for any subscription right is equal to, or higher than, the market share price at the time of the grant. The subscription rights vest in tranches over four years. No golden parachutes are in effect, and postemployment pay will only apply in case the Company invokes contractual non-competition clauses.

The Board shall determine the compensation of the CEO. There is a maximum amount of incentive remuneration per calendar year. It follows from the nature of the incentive subscription rights program resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The Board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the Board will present to the shareholders for their approval a statement of remuneration to the management. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation and advisory in other aspects.

13. INFORMATION AND COMMUNICATION

The Board of Directors places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim

reports, the annual report and the associated financial statements. Thinfilm also issues other notices to the shareholders when appropriate. The general meeting of shareholders provides a forum for the shareholders to raise issues with the Board as such and the individual Board Members. All reports are issued and distributed according to the rules and practices at the market place(s) where the Thinfilm shares are listed. The Company shall in due course publish an annual financial calendar for the following year; setting forth the dates for major events such as its annual general meeting, publication of interim reports, any scheduled public presentations, any dividend payment date, etc. The reports and other pertinent information are also available on the Company's website, www.thinfilm.no.

The Board of Directors has adopted the following policies:

- Policy for reporting of financial and other information and investor relations;
- Policy for contact with shareholders outside general meetings; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of Thinfilm is fully compliant with applicable laws and regulations. As of the interim

financial information for third quarter 2007, Thinfilm has prepared its consolidated financial reports in accordance with IFRS. The current information practices are adequate under current rules.

14. TAKE-OVERS

There are no take-over defense mechanisms in place. The Board will endeavor that shareholder value is maximized and that all shareholders are treated equally. The Board shall otherwise ensure full compliance with Section 14 of the Code.

15. AUDITORS

The Company's auditor is fully independent of the Company. Thinfilm represents a minimal share of the auditor's business. Thinfilm does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which Thinfilm assumes full responsibility.

The Board of Directors has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit.

The Board of Directors shall otherwise ensure full compliance with Section 15 of the Code.



A quality test manager works with a roll-to-roll printed display tester at the Company's Linköping, Sweden facility.

Articles of Association

Latest amended on 16 March 2016

§1 THE NAME OF THE COMPANY

The name of the Company is Thin Film Electronics ASA. The Company is a public limited company.

§2 THE COMPANY'S BUSINESS

The objectives of the Company shall be the commercialization, research, development and production of technology and products related to printed electronics components and smart systems. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

§3 REGISTERED OFFICE

The registered office of the Company is situated in Oslo.

§4 THE COMPANY'S SHARE CAPITAL

The Company's share capital is NOK 74,383,359.27 divided into 676,212,357 ordinary shares at NOK 0.11 par value per share.

§5 THE COMPANY'S GOVERNANCE

The Company's board of directors shall consist of from three to nine members, as decided by the general meeting. The board may grant powers of procuration.

§6 THE GENERAL MEETING

The ordinary general meeting shall consider and decide:

1. Adoption of the annual financial statement and report of the board of directors, including the declaration of a dividend.
2. Election of chairman and members of the nomination committee, and determination of remuneration to the members of the nomination committee.
3. Any other business required by the laws or the articles of association to be transacted by the general meeting.

The general meetings of the Company shall as a general rule be conducted in the Norwegian language. However, the board of directors may decide that the English language shall be used.

§7 EXEMPTION FROM REQUIREMENTS TO SUBMIT DOCUMENTS WITH NOTICE OF GENERAL MEETING

Documents which timely have been made available on the Internet site of the Company, and which deal with matters that are to be handled at the general meeting, do not need to be sent to the Company's shareholders.

§8 REGISTRATION FOR GENERAL MEETING

A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify its attendance to the Company no later than two days prior to the general meeting. If the shareholder does not notify the Company of its attendance in a timely manner, the Company may deny the shareholder access to the general meeting.

§9 NOMINATION COMMITTEE

a) Thin Film Electronics ASA shall have a nomination committee. The nomination committee shall have three members, including a chairman. Members of the nomination committee shall be elected by the Annual General Meeting for a term of two years.

b) The nomination committee shall:

- Propose candidates for election to the Board of Directors
- Propose the remuneration to be paid to the Board members
- Propose candidates for election to the nomination committee
- Propose the remuneration to be paid to the nomination committee members

c) The mandate of the nomination committee shall be resolved by the Annual General Meeting.

§10 RELATION TO THE NORWEGIAN PUBLIC LIMITED COMPANIES ACT

Reference is also made to the legislation concerning public limited companies in force at the relevant time.



Board of Directors



Morten Opstad
Chairman

Mr. Opstad has served as Chairman of the Board of the Company since 2 October 2006. He is a partner and Chairman of the Board of Directors in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organizing several technology and innovation companies within this line of business. He is also Chairman of the Board of two technology companies at the Oslo Axess list; IDEX ASA and Cxense ASA. His directorships over the last five years include current Board positions in Glommen Eiendom AS, K-Konsult AS, and former directorships in Total Sports Online ASA, Fileflow Technologies AS and A. Sundvall ASA. Mr. Opstad was born in 1953 and is a Norwegian citizen. Mr. Opstad attended all Board meetings in the period.



Rita Glenne
Board Member

Dr. Glenne has served as Board Member of the Company since 11 May 2011. Dr. Glenne has diverse technology and management expertise from several business sectors. She has extensive experience in developing technology into processes and products with a business aspect. In addition, Dr. Glenne has developed processes and production equipment for high volume manufacturing, has experience with hands-on trouble shooting and management in start-up production, extensive collaboration with suppliers and customers. She previously worked at SINTEF, Norsk Hydro ASA, REC ASA and as Vice President of Technology within REC Solar AS. Dr. Glenne currently runs her own consulting company as an advisor for technology start-ups and holds several board positions. Dr. Glenne has a Ph.D. from the Technical University of Trondheim (NTNU) in Material Science. Dr. Glenne was born in 1965 and is a Norwegian citizen. Dr. Glenne attended all but one Board meetings in the period.



Preeti Mardia
Board Member

Ms. Mardia has served as Board Member of the Company since 8 May 2013 and she has diverse executive management and operations expertise across Electronics, Semi-conductors, Telecoms, Aerospace, and Food Industry sectors. She is currently Senior Vice President of Operations at IDEX ASA, and is responsible for the operational strategy and establishing manufacturing partnerships. Ms. Mardia previously worked within Moseley Wireless Group and Filtronic Plc as Operations Director and established commercial and supply relationships with Tier One OEMs for mobile telecoms infrastructure. She was responsible for implementing a world-class highly automated electronics manufacturing plant and establishing global supply-chain partnerships. She managed and scaled a semiconductor foundry from technology phase to high-volume manufacturing of Gallium Arsenide semiconductor devices for the mobile handset, aerospace, and base-station markets. Ms. Mardia has extensive FMCG experience in manufacturing, product development and quality assurance with Cadbury Schweppes Plc, and supplied into major international retailers. She has a degree in Food Science & Technology and is undertaking a Masters degree in Executive Management at Ashridge, UK. Ms. Mardia was born in 1967 and is a British citizen. She attended all Board meetings in the period.



Tor Mesøy
Board Member

Mr. Mesøy has been a Board member in Thinfilm since 8 May 2013. Mr. Mesøy has served as a management consultant for more than 25 years. He now heads up his own consulting company, but was formerly a partner with McKinsey & Company and with Accenture. Mr. Mesøy has extensive consulting and counselling experience from multiple sectors, including high-tech, telecommunications, healthcare, pharmaceuticals, public sector, energy, utilities, banking, insurance and oil & gas. He is Managing Director of Agnus Consulting, a company focusing on leadership development and management consulting. He is also a senior advisor to the Board of PurifAid, an NGO, and holds a Board position at the not-for-profit organization, Impuls, a Norwegian youth movement. Mr. Mesøy received a Bachelor's degree from the University of Oslo (Computer Science, Mathematics), a Master's degree from the University of Minnesota (Mathematics, Philosophy), and has attended the Advanced Business Management Program at Kellogg Graduate School of Business at Northwestern University. Mr. Mesøy was born in 1962 and is a Norwegian citizen, based in Hong Kong. Mr. Mesøy attended all Board meetings in the period.



Rolf Åberg
Board Member

Mr. Åberg has been a Board Member of the Company since 2 October 2006. Prior to this, he served as the Managing Director between 2000 and 2006. He studied computer science at Linköping University and strategic sales and management at the Haas School of Business, University of California, Berkeley. Mr. Åberg held various positions at Saab in Linköping (1973-1981) and

different leading positions within sales and marketing at Computervision Northern Europe (1981-1987). He was Managing Director of Mentor Graphics Scandinavia (1987- 1991) and Vice President and General Manager Europe of Synopsys, Inc. (1991-2000). Mr. Åberg was born in 1951 and is a Swedish citizen. Mr. Åberg attended all Board meetings in the period.

Executive Management



Davor Sutija
CEO

Dr. Davor Sutija is CEO of Thin Film Electronics ASA. Prior to joining Thinfilm in January 2010, he was Senior Vice President, Product Marketing, at FAST, a Microsoft subsidiary, and founding CEO at SiNOR AS, a producer of electronic and PV-grade silicon ingots. He was elected to the Board of the Organic Electronics Association in 2012 and has served on the Boards of technology firms SensoNor, Birdstep, and Owera. Dr. Sutija graduated from the Jerome Fisher Management and Technology program at the Wharton School, and has a Ph.D. from University of California, Berkeley, in Chemical Engineering. He was a Hertz Fellow at Lawrence Berkeley Labs.



John Afzelius-Jenevall
Chief Financial Officer

John Afzelius-Jenevall joined Thinfilm in August 2013. Previously he was Vice President, Corporate Development at Orkla ASA. He has also served as Portfolio Manager at Catella Capital Management and at Nordea Investment Management, and was awarded the distinction 'Star Manager of the Year' by Morningstar. Mr. Afzelius-Jenevall completed his MS in Engineering at the Royal Institute of Technology (KTH), Stockholm and is a CFA charterholder with a BS in Economics.



Dr. Christer Karlsson
Chief Technology Officer

Dr. Karlsson has a Ph.D. in surface and semiconductor physics from Linköping University in 1994. He served as a Researcher, Project Manager and Deputy Research Director at the National Defense Research Establishment, Linköping, Sweden for six years in the field of laser systems including technology areas such as semiconductor lasers, optics, signal processing and system design.

He joined Thin Film Electronics AB in 2000 where he has served as project manager, group manager and Technology Director leading developments of Si CMOS designs, printed memory, transistors and other devices as well as integrated products for a variety of applications. Mr. Karlsson is situated in the Linköping office.



Dr. Peter Fischer
Chief Operating Officer

Dr. Fischer joined Thinfilm in January 2014 as Chief Product Officer. He was named Chief Operating Officer in November of 2015 and oversees manufacturing, supply chain, and technology transfer for the Company. Prior to Thinfilm he was Chief Technology Officer at Plastic Logic, a Printed Electronics startup and producer of flexible displays, and earlier in his career he served as Director, Back-end Products at Qimonda, and Senior Manager, Front-end Process Integration at Infineon Technologies. He was elected to the board of the Organic Electronics Association (OE-A) in 2011, 2013, and 2015. In 2012, Dr. Fischer was named one of the top "Forty Innovators Building the Foundation of the Next-gen Electronics Industry" by EETimes. He holds a diploma and Ph.D. in Physics from University of Magdeburg.



Dr. Henrik Sjöberg
Senior Vice President of
Product Management

Dr. Sjöberg joined Thinfilm in March 2013 as Vice President, System Products. He joined the management team in Nov 2013. Previously he has for more than 10 years held a number of Director positions, both within R&D and Product Management, at Micronic Mydata. Dr. Sjöberg also spent a few years with ACREO and has a Ph.D. in Physics from the Royal Institute of Technology in Stockholm.



Kai Leppänen
Chief Commercial Officer

Kai Leppänen leads global sales for Thinfilm and co-leads the Company's field application engineering group. He joined Thinfilm in August 2013 as Vice President of Sales and Business Development in Europe.

Prior to Thinfilm, Mr. Leppänen was Senior Vice President of global tier-1 accounts at Opera Software ASA, where he successfully executed strategic deals that cemented Opera's growth in the Internet browser market. He also held senior roles at Symbian, 12snap Mobile Advertising, Anthropics Technology, and GP Bullhound in London, UK. Mr. Leppänen holds an MSc degree in Information System Management from South Bank University, London and a BA Hons degree in International Business from Greenwich University, London.

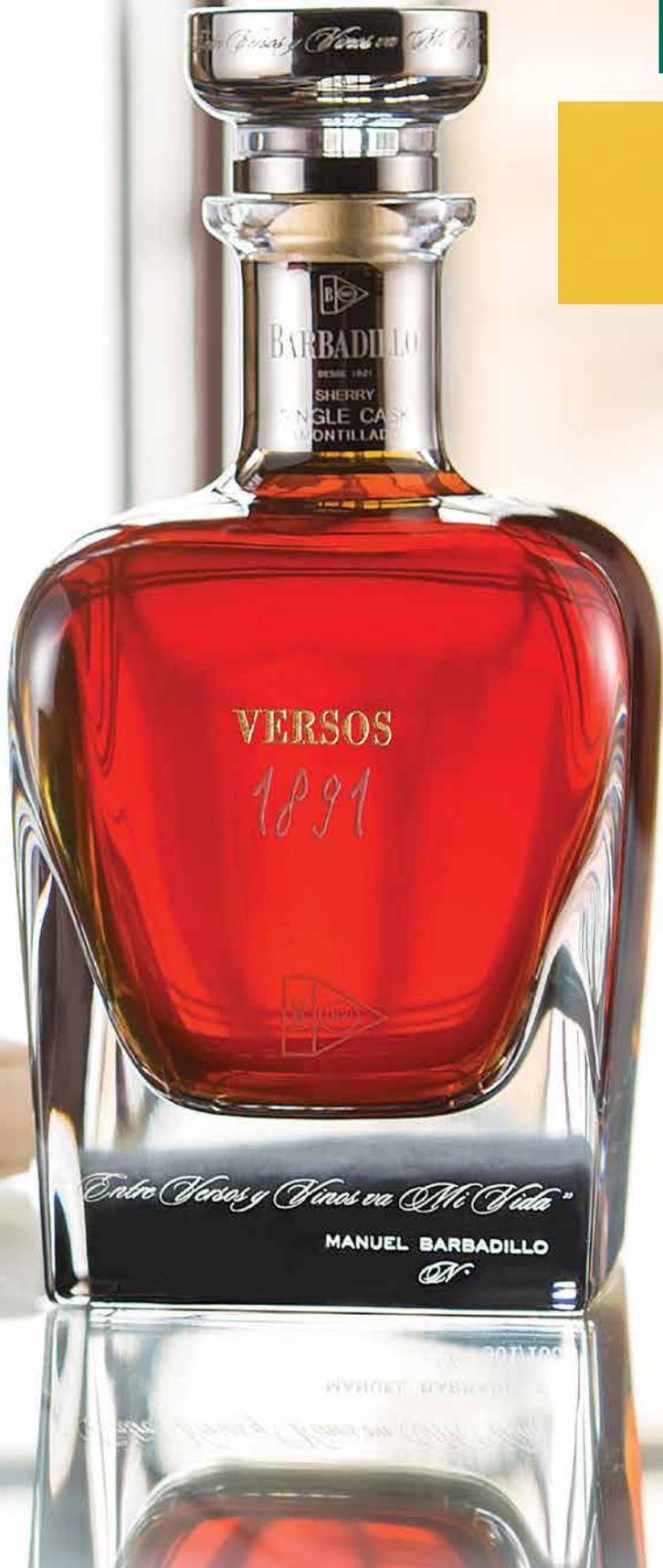


Erwan Le Roy
Senior Vice President,
Strategic Marketing and
General Manager,
Smart Sensors

Erwan Le Roy joined Thinfilm in September 2015 and leads strategic marketing and development of the Company's sensors and NFC product roadmaps. Mr. Le Roy held senior business development and marketing positions at Veeco, KLA-Tencor and Credence Diagnostics Systems, a division of Schlumberger. He holds an MBA from Duke University and dual Masters of Engineering from the Korea Advanced Institute of Science & Technology, Taejon, Korea and the National Institute of Applied Sciences, Lyon, France.



A process engineer works with a thin film deposition tool to deposit critical layers upon our steel substrates at the San Jose, CA NFC Innovation Center.



ThinFilm announced a partnership with leading Spanish winemaker, Barbadillo, to unveil the exclusive release of Versos 1891 sherry in "smart bottles" protected by ThinFilm's NFC OpenSense authentication technology.



The image shows a factory floor with industrial machinery, including large rollers and complex mechanical systems. The scene is overlaid with a semi-transparent teal color. The text 'Thin Film Electronics ASA' and 'ANNUAL REPORT 2015' is centered in the middle. At the bottom, there is a decorative grid of colored squares in shades of orange, grey, and teal.

Thin Film Electronics ASA
ANNUAL REPORT 2015